

Conference Engrossed

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**Betsey Bayless
Secretary of State**

State of Arizona
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Forty-fifth Legislature
Second Regular Session
2002

CHAPTER 326

SENATE BILL 1139

AN ACT

AMENDING SECTIONS 15-481, 41-1292 AND 42-1101, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 1, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-1101.01; AMENDING SECTIONS 42-1103.01, 42-1103.02, 42-1103.03, 42-1105, 42-1105.01, 42-1105.02, 42-1125.01, 42-2001, 42-5061, 42-5064, 42-5071 AND 42-5156, ARIZONA REVISED STATUTES; AMENDING SECTION 42-2003, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2002, CHAPTER 50, SECTION 2; AMENDING SECTION 42-5159, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2001, CHAPTER 137, SECTION 2, CHAPTER 287, SECTION 92 AND CHAPTER 314, SECTION 3; REPEALING SECTION 42-5159, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2001, CHAPTER 115, SECTION 14; AMENDING SECTIONS 42-5160, 42-6001, 42-6002, 42-11102, 42-11127, 42-11128 AND 42-11153, ARIZONA REVISED STATUTES; REPEALING SECTIONS 42-13103 AND 42-13104, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 14, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-14006; AMENDING SECTIONS 42-14152, 42-15053 AND 42-15057, ARIZONA REVISED STATUTES; REPEALING SECTION 42-15064, ARIZONA REVISED STATUTES; AMENDING SECTIONS 42-19004, 42-19151, 43-323, 43-581 AND 43-1087, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1139, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 1999, CHAPTER 190, SECTION 1; REPEALING SECTION 43-1139, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2000, CHAPTER 63, SECTION 11; AMENDING SECTIONS 43-1175 AND 44-315, ARIZONA REVISED STATUTES; AMENDING TITLE 44, CHAPTER 3, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 44-339; AMENDING LAWS 2001, CHAPTER 314, SECTION 4; BLENDING MULTIPLE ENACTMENTS; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 15-481, Arizona Revised Statutes, is amended to read:

15-481. Override election; budget increases; notice; ballot; effect

A. If the proposed budget of a school district exceeds the aggregate budget limit for the budget year, the governing board shall order an override election to be held not less than ninety days from the date of the order for the purpose of presenting the proposed budget to the qualified electors of the school district who shall by a majority of those voting either affirm or reject the budget. In addition, the governing board shall prepare an alternate budget which does not include an increase in the budget of more than the amount permitted as provided in section 15-905. If the qualified electors approve the proposed budget, the governing board of the school district shall follow the procedures prescribed in section 15-905 for adopting a budget that includes the authorized increase. If the qualified electors disapprove the proposed budget the governing board shall follow the procedures prescribed in section 15-905 for adopting a budget that does not include the proposed increase or the portion of the proposed increase that exceeds the amount authorized by a previously approved budget increase as prescribed in subsection P of this section.

B. The county school superintendent shall prepare an informational report on the proposed increase in the budget and a sample ballot and at least thirty-five days prior to the election shall transmit the report and the ballot to the governing board of the school district. For a school district located in a county with a population of two hundred thousand persons or more, the governing board, upon receipt of the report and the ballot, shall mail or distribute the report and the ballot to the households, in which qualified electors reside, within the school district at least thirty days prior to the election. For a school district located in a county with a population of less than two hundred thousand persons, the governing board, upon receipt of the report and the ballot, shall mail or distribute the report and the ballot to the households within the school district at least thirty days prior to the election. Any distribution of material concerning the proposed increase in the budget shall not be conducted by children enrolled in the school district. The report shall contain the following information:

1. The date of the election.
2. The polling places and times they are open.
3. The proposed total increase in the budget which exceeds the amount permitted pursuant to section 15-905.
4. The total amount of the current year's budget, the total amount of the proposed budget and the total amount of the alternate budget.
5. If the override is for a period of more than one year, a statement indicating the number of years the proposed increase in the budget would be

1 in effect and the percentage of the school district's revenue control limit
2 that the district is requesting for the future years.

3 6. The proposed total amount of revenues which will fund the increase
4 in the budget and the amount which will be obtained from a levy of taxes upon
5 the taxable property within the school district for the first year for which
6 the budget increase was adopted.

7 7. The proposed amount of revenues which will fund the increase in the
8 budget and which will be obtained from other than a levy of taxes upon the
9 taxable property within the school district for the first year for which the
10 budget increase was adopted.

11 8. The dollar amount and the purpose for which the proposed increase
12 in the budget is to be expended for the first year for which the budget
13 increase was adopted.

14 9. At least two arguments, if submitted, but no more than ten
15 arguments for and two arguments, if submitted, but no more than ten arguments
16 against the proposed increase in the budget. The arguments shall be in a
17 form prescribed by the county school superintendent and each argument shall
18 not exceed two hundred words. Arguments for the proposed increase in the
19 budget shall be provided in writing and signed by the governing board. If
20 submitted, additional arguments in favor of the proposed increase in the
21 budget shall be provided in writing and signed by those in favor. Arguments
22 against the proposed increase in the budget shall be provided in writing and
23 signed by those in opposition. The names of those persons other than the
24 governing board or superintendent submitting written arguments shall not be
25 included in the report without their specific permission, but shall be made
26 available only upon request to the county school superintendent. The county
27 school superintendent shall review all factual statements contained in the
28 written arguments and correct any inaccurate statements of fact. The
29 superintendent shall not review and correct any portion of the written
30 arguments which are identified as statements of the author's opinion. The
31 county school superintendent shall make the written arguments available to
32 the public as provided in title 39, chapter 1, article 2. A deadline for
33 submitting arguments to be included in the informational report shall be set
34 by the county school superintendent.

35 10. A statement that the alternate budget shall be adopted by the
36 governing board if the proposed budget is not adopted by the qualified
37 electors of the school district.

38 11. The full cash value, the assessed valuation and the estimated
39 amount of the secondary tax bill if the proposed budget is adopted for each
40 of the following:

41 (a) An owner-occupied residence whose assessed valuation is the
42 average assessed valuation of property classified as class three, AS
43 PRESCRIBED BY SECTION 42-12003 for the current year in the school district.

1 (b) An owner-occupied residence whose assessed valuation is one-half
2 of the assessed valuation of the residence in subdivision (a) of this
3 paragraph.

4 (c) An owner-occupied residence whose assessed valuation is twice the
5 assessed valuation of the residence in subdivision (a) of this paragraph.

6 (d) A business whose assessed valuation is the average of the assessed
7 valuation of property classified as class one, AS PRESCRIBED BY SECTION
8 42-12001, paragraphs ~~11~~ and 12 AND 13 for the current year in the school
9 district.

10 12. If the election is conducted pursuant to subsection L or M of this
11 section, the following information:

12 (a) An executive summary of the school district's most recent capital
13 improvement plan submitted to the school facilities board.

14 (b) A complete list of each proposed capital improvement that will be
15 funded with the budget increase and a description of the proposed cost of
16 each improvement, including a separate aggregation of capital improvements
17 for administrative purposes as defined by the school facilities board.

18 (c) The tax rate associated with each of the proposed capital
19 improvements and the estimated cost of each capital improvement for the owner
20 of a single family home that is valued at eighty thousand dollars.

21 C. For the purpose of this section, the school district may use its
22 staff, equipment, materials, buildings or other resources only to distribute
23 the informational report at the school district office or at public hearings
24 and to produce such information as required in subsection B of this section,
25 provided that nothing in this subsection shall preclude school districts from
26 holding or participating in any public hearings at which testimony is given
27 by at least one person for the proposed increase and one person against the
28 proposed increase.

29 D. The elections prescribed in subsection A of this section shall be
30 held on a date prescribed by section 16-204 and shall be conducted as nearly
31 as practicable in the manner prescribed in article 1 of this chapter,
32 sections 15-422 through 15-424 and section 15-426, relating to special
33 elections, except that:

34 1. The notices required pursuant to section 15-403 shall be posted not
35 less than twenty-five days before the election.

36 2. Ballots shall be counted pursuant to title 16, chapter 4,
37 article 10.

38 E. If the election is to exceed the revenue control limit and if the
39 proposed increase will be fully funded by a levy of taxes upon the taxable
40 property within the school district, the ballot shall contain the words
41 "budget increase, yes" and "budget increase, no", and the voter shall signify
42 his desired choice. The ballot shall also contain the amount of the proposed
43 increase of the proposed budget over the alternate budget, a statement that
44 the amount of the proposed increase will be based on a percentage of the

1 school district's revenue control limit in future years, if applicable, as
2 provided in subsection P of this section and the following statement:

3 Any budget increase authorized by this election shall be
4 entirely funded by a levy of taxes upon the taxable property
5 within this school district for the year for which adopted and
6 for ____ subsequent years, shall not be realized from monies
7 furnished by the state and shall not be subject to the
8 limitation on taxes specified in article IX, section 18,
9 Constitution of Arizona. Based on an estimate of assessed
10 valuation used for secondary property tax purposes, the proposed
11 increase in the school district's budget over that allowed by
12 law would result in an estimated increase in the school
13 district's tax rate of _____ dollar per one hundred
14 dollars of assessed valuation used for secondary property tax
15 purposes and is in addition to the school district's tax rate
16 which will be levied to fund the school district's revenue
17 control limit allowed by law.

18 F. If the election is to exceed the revenue control limit and if the
19 proposed increase will be fully funded by revenues from other than a levy of
20 taxes upon the taxable property within the school district, the ballot shall
21 contain the words "budget increase, yes" and "budget increase, no", and the
22 voter shall signify the voter's desired choice. The ballot shall also
23 contain:

24 1. The amount of the proposed increase of the proposed budget over the
25 alternate budget.

26 2. A statement that the amount of the proposed increase will be based
27 on a percentage of the school district's revenue control limit in future
28 years, if applicable, as provided in subsection P of this section.

29 3. The following statement:

30 Any budget increase authorized by this election shall be
31 entirely funded by this school district with revenues from other
32 than a levy of taxes on the taxable property within the school
33 district for the year for which adopted and for ____
34 subsequent years and shall not be realized from monies furnished
35 by the state.

36 G. Except as provided in subsection H of this section, the maximum
37 budget increase which may be requested and authorized as provided in
38 subsection E or F of this section or the combination of subsections E and F
39 of this section is ten per cent of the revenue control limit as provided in
40 section 15-947, subsection A for the budget year.

41 H. Special budget override provisions for school districts with a
42 student count of less than one hundred fifty-four in kindergarten programs
43 and grades one through eight or with a student count of less than one hundred
44 seventy-six in grades nine through twelve are as follows:

1 1. The maximum budget increase that may be requested and authorized
 2 as provided in subsections E and F of this section is the greater of the
 3 amount prescribed in subsection G of this section or a limit computed as
 4 follows:

5 (a) For common or unified districts with a student count of less than
 6 one hundred fifty-four in kindergarten programs and grades one through eight,
 7 the limit computed as prescribed in item (i) or (ii) of this subdivision,
 8 whichever is appropriate:

9 (i)

10		Small School	Support Level Weight		Phase Down
11	Student	Student	for Small Isolated		Reduction
12	Count	Count Limit	School Districts	Base Level	Factor
13		- 125	x 1.358 + (0.0005 x	x \$	= \$
14			(500 - Student Count))		
15				Small Isolated	
16		Phase Down	Phase Down	School District	
17		Base	Reduction Factor	Elementary Limit	
18		\$150,000	- \$	= \$	

19 (ii)

20		Small School	Support Level Weight		Phase Down
21	Student	Student	for Small		Reduction
22	Count	Count Limit	School Districts	Base Level	Factor
23		- 125	x 1.278 + (0.0003 x	x \$	= \$
24			(500 - Student Count))		
25				Small	
26		Phase Down	Phase Down	School District	
27		Base	Reduction Factor	Elementary Limit	
28		\$150,000	- \$	= \$	

29 (b) For unified or union high school districts with a student count
 30 of less than one hundred seventy-six in grades nine through twelve, the limit
 31 computed as prescribed in item (i) or (ii) of this subdivision, whichever is
 32 appropriate:

33 (i)

34		Small School	Support Level Weight		Phase Down
35	Student	Student	for Small Isolated		Reduction
36	Count	Count Limit	School Districts	Base Level	Factor
37		- 100	x 1.468 + (0.0005 x	x \$	= \$
38			(500 - Student Count))		
39				Small Isolated	
40				District	
41		Phase Down	Phase Down	Secondary Limit	
42		Base	Reduction Factor		
43		\$350,000	- \$	= \$	

(ii)

Student Count	Small School Student Count Limit	Support Level Weight for Small School Districts	Phase Down Reduction Factor
	100	$1.398 + (0.0004 \times (500 - \text{Student Count}))$	
	Phase Down Base	Phase Down Reduction Factor	Small School District Secondary Limit
	\$350,000		

(c) If both subdivisions (a) and (b) of this paragraph apply to a unified school district, its limit for the purposes of this paragraph is the combination of its elementary limit and its secondary limit.

(d) If only subdivision (a) or (b) of this paragraph applies to a unified school district, the district's limit for the purposes of this paragraph is the sum of the limit computed as provided in subdivision (a) or (b) of this paragraph plus ten per cent of the revenue control limit attributable to those grade levels that do not meet the eligibility requirements of this subsection. If a school district budgets monies outside the revenue control limit pursuant to section 15-949, subsection D, the district's limit for the purposes of this paragraph is only the ten per cent of the revenue control limit attributable to those grade levels that are not included under section 15-949, subsection D. For the purposes of this subdivision, the revenue control limit is separated into elementary and secondary components based on the weighted student count as provided in section 15-971, subsection B, paragraph 2, subdivision (a).

2. If a school district utilizes the provisions of this subsection to request an override of more than one year, the ballot shall include an estimate of the amount of the proposed increase in the future years in place of the statement that the amount of the proposed increase will be based on a percentage of the school district's revenue control limit in future years, as prescribed in subsections E and F of this section.

3. Notwithstanding subsection P of this section, the maximum period of an override authorized pursuant to this subsection is five years.

4. Subsection P, paragraphs 1 and 2 of this section do not apply to overrides authorized pursuant to this subsection.

1. If the election is to exceed the revenue control limit as provided in section 15-482 and if the proposed increase will be fully funded by a levy of taxes on the taxable property within the school district, the ballot shall contain the words "budget increase, yes" and "budget increase, no", and the voter shall signify the voter's desired choice. The ballot shall also contain the amount of the proposed increase of the budget over the alternate budget, a statement that the amount of the proposed increase will be based on a percentage of the school district's revenue control limit in future

1 years, if applicable, as provided in subsection Q of this section, and the
2 following statement:

3 Any budget increase authorized by this election shall be
4 entirely funded by a levy of taxes on the taxable property
5 within this school district for the year for which adopted and
6 for _____ subsequent years, shall not be realized from monies
7 furnished by the state and shall not be subject to the
8 limitation on taxes specified in article IX, section 18,
9 Constitution of Arizona. Based on an estimate of assessed
10 valuation used for secondary property tax purposes, the portion
11 of the proposed increase in the school district's budget over
12 that allowed by law which will be funded by a levy of taxes upon
13 the taxable property within this school district would result in
14 an estimated increase in the school district's tax rate of
15 _____ dollar per one hundred dollars of assessed valuation
16 used for secondary property tax purposes and is in addition to
17 the school district's tax rate that will be levied to fund the
18 school district's revenue control limit allowed by law.

19 J. If the election is to exceed the revenue control limit as provided
20 in section 15-482 and if the proposed increase will be fully funded by
21 revenues other than a levy of taxes on the taxable property within the school
22 district, the ballot shall contain the words "budget increase, yes" and
23 "budget increase, no", and the voter shall signify the voter's desired
24 choice. The ballot shall also contain the amount of the proposed increase
25 of the proposed budget over the alternate budget, a statement that the amount
26 of the proposed increase will be based on a percentage of the school
27 district's revenue control limit in future years, if applicable, as provided
28 in subsection Q of this section and the following statement:

29 Any budget increase authorized by this election shall be
30 entirely funded by this school district with revenues from other
31 than a levy of taxes on the taxable property within the school
32 district for the year for which adopted and for _____ subsequent
33 years and shall not be realized from monies furnished by the
34 state.

35 K. The maximum budget increase that may be requested and authorized
36 as provided in subsection I or J of this section, or a combination of both
37 of these subsections, is five per cent of the revenue control limit as
38 provided in section 15-947, subsection A for the budget year. For a unified
39 school district, a common school district not within a high school district
40 or a common school district within a high school district that offers
41 instruction in high school subjects as provided in section 15-447, five per
42 cent of the revenue control limit means five per cent of the revenue control
43 limit attributable to the weighted student count in preschool programs for
44 children with disabilities, kindergarten programs and grades one through
45 eight as provided in section 15-971, subsection B.

1 L. If the election is to exceed the capital outlay revenue limit and
2 if the proposed increase will be fully funded by a levy of taxes upon the
3 taxable property within the school district, the ballot shall contain the
4 words "budget increase, yes" and "budget increase, no", and the voter shall
5 signify the voter's desired choice. An election held pursuant to this
6 subsection shall be held on the first Tuesday after the first Monday of
7 November. The ballot shall also contain the amount of the proposed increase
8 of the proposed budget over the alternate budget and the following statement:

9 Any budget increase authorized by this election shall be
10 entirely funded by a levy of taxes upon the taxable property
11 within this school district for the year in which adopted and
12 for _____ subsequent years, shall not be realized from monies
13 furnished by the state and shall not be subject to the
14 limitation on taxes specified in article IX, section 18,
15 Constitution of Arizona. Based on an estimate of assessed
16 valuation used for secondary property tax purposes, the proposed
17 increase in the school district's budget over that allowed by
18 law would result in an estimated increase in the school
19 district's tax rate of _____ dollar per one hundred
20 dollars of assessed valuation used for secondary property tax
21 purposes and is in addition to the school district's tax rate
22 which will be levied to fund the school district's capital
23 outlay revenue limit allowed by law.

24 M. If the election is to exceed the capital outlay revenue limit and
25 if the proposed increase will be fully funded by revenues from other than a
26 levy of taxes upon the taxable property within the school district, the
27 ballot shall contain the words "budget increase, yes" and "budget increase,
28 no", and the voter shall signify the voter's desired choice. An election
29 held pursuant to this subsection shall be held on the first Tuesday after the
30 first Monday of November. The ballot shall also contain the amount of the
31 proposed increase of the proposed budget over the alternate budget and the
32 following statement:

33 Any budget increase authorized by this election shall be
34 entirely funded by this school district with revenues from other
35 than a levy of taxes on the taxable property within the school
36 district for the year in which adopted and for _____ subsequent
37 years and shall not be realized from monies furnished by the
38 state.

39 N. If the election is to exceed a combination of the revenue control
40 limit as provided in subsection E or F of this section, the revenue control
41 limit as provided in subsection I or J of this section or the capital outlay
42 revenue limit as provided in subsection L or M of this section, the ballot
43 shall be prepared so that the voters may vote on each proposed increase
44 separately and shall contain statements required in the same manner as if
45 each proposed increase were submitted separately.

1 O. If the election provides for a levy of taxes on the taxable
2 property within the school district, at least thirty days prior to the
3 election, the department of revenue shall provide the school district
4 governing board and the county school superintendent with an estimate of the
5 school district's assessed valuation used for secondary property tax purposes
6 for the ensuing fiscal year. The governing board and the county school
7 superintendent shall use this estimate to translate the amount of the
8 proposed dollar increase in the budget of the school district over that
9 allowed by law into a tax rate figure.

10 P. If the voters in a school district vote to adopt a budget in excess
11 of the revenue control limit as provided in subsection E or F of this
12 section, any additional increase shall be included in the aggregate budget
13 limit for each of the years authorized. Any additional increase shall be
14 excluded from the determination of equalization assistance. The school
15 district governing board may, however, levy on the assessed valuation used
16 for secondary property tax purposes of the property in the school district
17 the additional increase if adopted under subsection E of this section for the
18 period of one year, two years or five through seven years as authorized. If
19 an additional increase is approved as provided in subsection F of this
20 section, the school district governing board may only use revenues derived
21 from the school district's prior year's maintenance and operation fund ending
22 cash balance to fund the additional increase. If a budget increase was
23 previously authorized and will be in effect for the budget year or budget
24 year and subsequent years, as provided in subsection E or F of this section,
25 the governing board may request a new budget increase as provided in the same
26 subsection under which the prior budget increase was adopted which shall not
27 exceed the maximum amount permitted under subsection G of this section. If
28 the voters in the school district authorize the new budget increase amount,
29 the existing budget increase no longer is in effect. If the voters in the
30 school district do not authorize the budget increase amount, the existing
31 budget increase remains in effect for the time period for which it was
32 authorized. The maximum additional increase authorized as provided in
33 subsection E or F of this section and the additional increase which is
34 included in the aggregate budget limit is based on a percentage of a school
35 district's revenue control limit in future years, if the budget increase is
36 authorized for more than one year. If the additional increase:

37 1. Is for two years, the proposed increase in the second year is equal
38 to the initial proposed percentage increase.

39 2. Is for five years or more, the proposed increase is equal to the
40 initial proposed percentage increase in the following years of the proposed
41 increase, except that in the next to last year it is two-thirds of the
42 initial proposed percentage increase and it is one-third of the initial
43 proposed percentage increase in the last year of the proposed increase.

44 Q. If the voters in a school district vote to adopt a budget in excess
45 of the revenue control limit as provided in subsection I or J of this

1 section, any additional increase shall be included in the aggregate budget
2 limit for each of the years authorized. Any additional increase shall be
3 excluded from the determination of equalization assistance. The school
4 district governing board, however, may levy on the assessed valuation used
5 for secondary property tax purposes of the property in the school district
6 the additional increase if adopted under subsection I of this section for the
7 period of one year, two years or five through seven years as authorized. If
8 an additional increase is approved as provided in subsection J of this
9 section, the increase may only be budgeted and expended if sufficient monies
10 are available in the maintenance and operation fund of the school
11 district. If a budget increase was previously authorized and will be in
12 effect for the budget year or budget year and subsequent years, as provided
13 in subsection I or J of this section, the governing board may request a new
14 budget increase as provided in the same subsection under which the prior
15 budget increase was adopted that does not exceed the maximum amount permitted
16 under subsection K of this section. If the voters in the school district
17 authorize the new budget increase amount, the existing budget increase no
18 longer is in effect. If the voters in the school district do not authorize
19 the budget increase amount, the existing budget increase remains in effect
20 for the time period for which it was authorized. The maximum additional
21 increase authorized as provided in subsection I or J of this section and the
22 additional increase that is included in the aggregate budget limit is based
23 on a percentage of a school district's revenue control limit in future years,
24 if the budget increase is authorized for more than one year. If the
25 additional increase:

26 1. Is for two years, the proposed increase in the second year is equal
27 to the initial proposed percentage increase.

28 2. Is for five years or more, the proposed increase is equal to the
29 initial proposed percentage increase in the following years of the proposed
30 increase, except that in the next to last year it is two-thirds of the
31 initial proposed percentage increase and it is one-third of the initial
32 proposed percentage increase in the last year of the proposed increase.

33 R. If the voters in a school district vote to adopt a budget in excess
34 of the capital outlay revenue limit as provided in subsection L of this
35 section, any additional increase shall be included in the aggregate budget
36 limit for each of the years authorized. The additional increase shall be
37 excluded from the determination of equalization assistance. The school
38 district governing board may, however, levy on the assessed valuation used
39 for secondary property tax purposes of the property in the school district
40 the additional increase for the period authorized but not to exceed ten
41 years. For overrides approved by a vote of the qualified electors of the
42 school district at an election held from and after October 31, 1998, the
43 period of the additional increase prescribed in this subsection shall not
44 exceed seven years for any capital override election.

1 S. If the voters in a school district vote to adopt a budget in excess
2 of the capital outlay revenue limit as provided in subsection M of this
3 section, any additional increase shall be included in the aggregate budget
4 limit for each of the years authorized. The additional increase shall be
5 excluded from the determination of equalization assistance. The school
6 district governing board may only use revenues derived from the school
7 district's prior year's maintenance and operation fund ending cash balance
8 and capital outlay fund ending cash balance to fund the additional increase
9 for the period authorized but not to exceed ten years. For overrides
10 approved by a vote of the qualified electors of the school district at an
11 election held from and after October 31, 1998, the period of the additional
12 increase prescribed in this subsection shall not exceed seven years for any
13 capital override election.

14 T. In addition to subsections P and S of this section, from the
15 maintenance and operation fund and capital outlay fund ending cash balances,
16 the school district governing board shall first use any available revenues
17 to reduce its primary tax rate to zero and shall use any remaining revenues
18 to fund the additional increase authorized as provided in subsections F and
19 M of this section.

20 U. If the voters in a school district disapprove the proposed budget,
21 the alternate budget which, except for any budget increase authorized by a
22 prior election, does not include an increase in the budget in excess of the
23 amount provided in section 15-905 shall be adopted by the governing board as
24 provided in section 15-905.

25 V. The governing board may request that any override election be
26 cancelled if any change in chapter 9 of this title changes the amount of the
27 aggregate budget limit as provided in section 15-905. The request to cancel
28 the override election shall be made to the county school superintendent at
29 least ten days prior to the date of the scheduled override election.

30 W. For any election conducted pursuant to subsection L or M of this
31 section:

32 1. The ballot shall include the following statement in addition to any
33 other statement required by this section:

34 The capital improvements that are proposed to be funded
35 through this override election are to exceed the state standards
36 and are in addition to monies provided by the state.

37 _____ school district is proposing to increase its
38 budget by \$_____ to fund capital improvements over and
39 above those funded by the state. Under the students first
40 capital funding system, _____ school district is entitled to
41 state monies for building renewal, new construction and
42 renovation of school buildings in accordance with state law.

43 2. The ballot shall contain the words "budget increase, yes" and
44 "budget increase, no", and the voter shall signify the voter's desired
45 choice.

3. At least eighty-five days before the election, a school district shall submit proposed ballot language to the director of the Arizona legislative council. The director of the Arizona legislative council shall review the proposed ballot language to determine whether the proposed ballot language complies with this section. If the director of the Arizona legislative council determines that the proposed ballot language does not comply with this section, the director, within ten calendar days of the receipt of the proposed ballot language, shall notify the school district of the director's objections and the school district shall resubmit revised ballot language to the director for approval.

X. If the voters approve the budget increase pursuant to subsection L or M of this section, the school district shall not use the override proceeds for any purposes other than the proposed capital improvements listed in the publicity pamphlet, except that up to ten per cent of the override proceeds may be used for general capital expenses, including cost overruns of proposed capital improvements.

Y. Each school district that currently increases its budget pursuant to subsection L or M of this section is required to hold a public meeting each year between September 1 and October 31 at which an update of the progress of capital improvements financed through the override is discussed and at which the public is permitted an opportunity to comment. At a minimum, the update shall include a comparison of the current status and the original projections on the construction of capital improvements, the costs of capital improvements and the costs of capital improvements in progress or completed since the prior meeting and the future capital plans of the school district. The school district shall include in the public meeting a discussion of the school district's use of state capital aid and voter-approved bonding in funding capital improvements, if any.

Z. If a budget in excess of the capital outlay revenue limit was previously adopted by the voters in a school district and will be in effect for the budget year or budget year and subsequent years, as provided in subsection L or M of this section, the governing board may request an additional budget in excess of the capital outlay revenue limit. If the voters in a school district authorize the additional budget in excess of the capital outlay revenue limit, the existing capital outlay revenue limit budget increase remains in effect.

Sec. 2. Section 41-1292, Arizona Revised Statutes, is amended to read:

41-1292. Joint legislative oversight committee on property tax assessment and appeals

A. The joint legislative oversight committee on property tax assessment and appeals is established to monitor and evaluate the system of assessment and appeals of property tax assessments established by title 42. The committee consists of:

1. Six legislators, three each appointed by the president of the senate and the speaker of the house of representatives, including the

1 chairmen of the senate finance committee and the house of representatives
2 ways and means committee who shall serve as cochairmen of the oversight
3 committee. No more than two members from each house may be members of the
4 same political party.

5 2. Two county assessors, one each appointed by the president of the
6 senate and the speaker of the house of representatives.

7 3. Two county treasurers, one each appointed by the president of the
8 senate and the speaker of the house of representatives.

9 4. Four public members, who may include property tax practitioners,
10 accountants and members of the state bar of Arizona, two each appointed by
11 the president of the senate and the speaker of the house of representatives.

12 5. The director of the department of revenue, or the director's
13 designee.

14 B. Members of the committee are not eligible to receive compensation
15 for services or for reimbursement of expenses. The legislature shall provide
16 staff support and meeting accommodations for the committee. Members serve
17 at the pleasure of the appointing officer and, in the case of elected
18 officials, until their elective term of office expires.

19 C. The committee shall meet periodically to review the procedures and
20 administrative structure for tax assessments and appeals and identify any
21 areas of ambiguity, problems and needed changes and improvements. The
22 committee may recommend legislation for consideration by the legislature.

23 D. Each county assessor shall keep a record of the following
24 information to report to the oversight committee:

25 1. The date the assessment notices are mailed to property owners.

26 2. The date and number of appeals filed by class of property and the
27 basis of the appeals, categorized by valuation method.

28 3. The number of assessor meetings requested, number of meetings held
29 and the dates and results of the meetings.

30 4. The number of written appeals without a meeting being requested,
31 the dates they were received and the outcome of the appeals with the
32 assessor.

33 E. The state and county board of equalization shall keep a record, for
34 the purpose of reporting to the oversight committee, of the number of
35 appeals, the dates received, the parties attending and the outcome of each
36 appeal by type of property.

37 ~~F. The state board of tax appeals shall maintain a record, for the~~
38 ~~purpose of reporting to the oversight committee, of the number of requests~~
39 ~~for review on the record, the party requesting the review, the county of~~
40 ~~record and the outcome of the review by type of property.~~

41 Sec. 3. Section 42-1101, Arizona Revised Statutes, is amended to read:

42 42-1101. Application

43 This article applies AND CHAPTER 2 OF THIS TITLE APPLY generally to the
44 administration of income tax, withholding tax, transaction privilege tax,
45 telecommunication services excise tax, county excise taxes and any other

1 privilege excise tax administered by the department, severance tax, use tax,
2 luxury tax, rental occupancy tax, estate tax, tax on water use and jet fuel
3 excise and use tax.

4 Sec. 4. Title 42, chapter 1, article 3, Arizona Revised Statutes, is
5 amended by adding section 42-1101.01, to read:

6 42-1101.01. Definitions

7 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

8 1. "ELECTRONIC RETURN PREPARER" MEANS A PERSON WHO FOR COMPENSATION
9 PREPARES AN ELECTRONIC RETURN, STATEMENT OR OTHER DOCUMENT OR PREPARES A
10 SUBSTANTIAL PORTION OF AN ELECTRONIC RETURN, STATEMENT OR OTHER DOCUMENT OR
11 TRANSFORMS A PAPER VERSION OF A COMPLETED RETURN, STATEMENT OR OTHER DOCUMENT
12 TO AN ELECTRONIC VERSION OF THE SAME RETURN, STATEMENT OR OTHER DOCUMENT FOR
13 FILING WITH THE DEPARTMENT. ELECTRONIC RETURN PREPARER DOES NOT INCLUDE A
14 PERSON WHO FOR COMPENSATION PROVIDES ONLY COMPUTATIONAL AND INFORMATIONAL
15 SOFTWARE USED TO PREPARE AND FILE TAXES.

16 2. "ELECTRONIC RETURN TRANSMITTER" MEANS A PERSON WHO RECEIVES THE
17 ELECTRONIC RETURN, STATEMENT OR OTHER DOCUMENT FROM A TAXPAYER OR ELECTRONIC
18 RETURN PREPARER FOR ULTIMATE TRANSMITTAL TO THE DEPARTMENT.

19 3. "RETURN PREPARER":

20 (a) MEANS ANY PERSON THAT PREPARES A RETURN, STATEMENT OR OTHER
21 DOCUMENT OR SUBSTANTIAL PORTION OF A RETURN, STATEMENT OR OTHER DOCUMENT FOR
22 COMPENSATION, REGARDLESS OF THE MEDIA USED TO PREPARE THE RETURN.

23 (b) DOES NOT INCLUDE A PERSON BECAUSE THE PERSON:

24 (i) FURNISHES TYPING, REPRODUCING OR OTHER MECHANICAL ASSISTANCE.

25 (ii) PREPARES A RETURN, STATEMENT OR OTHER DOCUMENT FOR AN EMPLOYER
26 AND IS REGULARLY AND CONTINUOUSLY EMPLOYED BY THE EMPLOYER.

27 (iii) PREPARES AS A FIDUCIARY A RETURN, STATEMENT OR OTHER DOCUMENT
28 FOR ANY PERSON.

29 (iv) PREPARES A CLAIM FOR REFUND OR A RETURN, STATEMENT OR OTHER
30 DOCUMENT FOR A TAXPAYER IN RESPONSE TO ANY NOTICE OF DEFICIENCY ISSUED TO THE
31 TAXPAYER OR IN RESPONSE TO ANY WAIVER OF RESTRICTION AFTER THE COMMENCEMENT
32 OF AN AUDIT OF THE TAXPAYER.

33 (v) FURNISHES COMPUTATIONAL AND INFORMATIONAL SOFTWARE USED BY THE
34 TAXPAYER TO PREPARE THE TAXPAYER'S RETURN, STATEMENT OR OTHER DOCUMENT.

35 (vi) ONLY PREPARES PAYMENT DOCUMENTS FOR PAYMENT MADE TO THE
36 DEPARTMENT PURSUANT TO SECTION 42-1129.

37 4. "RETURN, STATEMENT OR OTHER DOCUMENT" MEANS ANY RETURN, CLAIM FOR
38 REFUND, STATEMENT OR OTHER DOCUMENT THAT IS REQUIRED OR AUTHORIZED TO BE
39 FILED WITH THE DEPARTMENT PURSUANT TO THIS TITLE OR TITLE 43, INCLUDING
40 RETURNS FOR ANY POLITICAL SUBDIVISION OF THIS STATE FOR WHICH THE DEPARTMENT
41 COLLECTS TAXES.

1 Sec. 5. Section 42-1103.01, Arizona Revised Statutes, is amended to
2 read:

3 42-1103.01. Action to enjoin return preparers

4 A. The director may apply to the tax court to enjoin any return
5 preparer from engaging in business if the return preparer has:

6 1. Been subject to a civil or criminal penalty prescribed by section
7 42-1125 or 42-1127.

8 2. Misrepresented the preparer's experience or education.

9 3. Guaranteed the payment of any tax refund or the allowance of any
10 tax credit.

11 4. Engaged in any other fraudulent or deceptive conduct that
12 substantially interferes with the proper administration of this title or
13 title 43.

14 B. On application by the director and after a hearing, the court may
15 enjoin the return preparer from engaging in business as a return preparer.

16 ~~C. In this section, unless the context otherwise requires:~~

17 ~~1. "Return preparer":~~

18 ~~(a) Means any person that prepares a return, statement or other~~
19 ~~document or substantial portion of a return, statement or other document for~~
20 ~~compensation, regardless of the media used to prepare the return.~~

21 ~~(b) Does not include a person because the person:~~

22 ~~(i) Furnishes typing, reproducing or other mechanical assistance.~~

23 ~~(ii) Prepares a return, statement or other document for an employer~~
24 ~~and is regularly and continuously employed by the employer.~~

25 ~~(iii) Prepares as a fiduciary a return, statement or other document~~
26 ~~for any person.~~

27 ~~(iv) Prepares a claim for refund or a return, statement or other~~
28 ~~document for a taxpayer in response to any notice of deficiency issued to~~
29 ~~such taxpayer or in response to any waiver of restriction after the~~
30 ~~commencement of an audit of the taxpayer.~~

31 ~~(v) furnishes computational and informational software used by the~~
32 ~~taxpayer to prepare the taxpayer's return, statement or other document.~~

33 ~~2. "Return, statement or other document" means any return, statement~~
34 ~~or other document that is required or authorized to be filed with the~~
35 ~~department pursuant to this title or title 43, including returns for any~~
36 ~~political subdivision of this state for which the department collects taxes.~~

37 Sec. 6. Section 42-1103.02, Arizona Revised Statutes, is amended to
38 read:

39 42-1103.02. Understatement of taxpayer's liability by return
40 preparer; civil penalty; definition

41 A. The department may impose a civil penalty of two hundred fifty
42 dollars against a return preparer who knew or should have known that an
43 understatement of liability was on a return or claim for refund.

1 B. The department may impose a civil penalty of one thousand dollars
2 against a return preparer who wilfully made an understatement of liability
3 on a return or claim for refund.

4 C. A return preparer is required to only pay eighty-five per cent of
5 the imposed penalty if the payment is made within thirty days from the date
6 that the penalty was imposed. A return preparer may not appeal to the
7 department pursuant to section 42-1251 if the return preparer fails to file
8 the appeal within thirty days from the date that the penalty was imposed. If
9 there is a final order or decision stating that the return preparer did not
10 make an understatement of liability in a return or claim for refund, the
11 department shall refund any penalty amount paid and interest to the return
12 preparer.

13 D. ~~In this section, unless the context otherwise requires:~~

14 ~~1. "Return preparer" has the same meaning prescribed in section~~
15 ~~42-1103.01.~~

16 ~~2. FOR THE PURPOSES OF THIS SECTION, "understatement of liability"~~
17 ~~means any understatement of the net amount payable with respect to any~~
18 ~~imposed tax or any overstatement of the net amount creditable or refundable~~
19 ~~with respect to any tax.~~

20 Sec. 7. Section 42-1103.03, Arizona Revised Statutes, is amended to
21 read:

22 42-1103.03. Suspension from electronic filing program

23 A. The department may suspend an electronic return preparer from
24 participating in the electronic filing program if the department determines
25 that the electronic return preparer has failed to comply with any of the
26 department's electronic filing program requirements, INCLUDING REQUIREMENTS
27 THAT ARE SET FORTH IN RULES, MANUALS, RULINGS OR PROCEDURES PRESCRIBED BY THE
28 DEPARTMENT FOR THE PROGRAM.

29 B. Within one hundred eighty days of the mailing date of the notice
30 of suspension from the electronic filing program, the taxpayer ELECTRONIC
31 RETURN PREPARER may petition the department to review the action taken
32 pursuant to section 42-1251. The petition shall set forth the reasons why
33 the suspension should be lifted. Within fifteen days after the request for
34 review, the department shall determine whether the suspension should be
35 lifted.

36 C. Within thirty days after the department notifies the taxpayer
37 ELECTRONIC RETURN PREPARER of the determination under subsection A- B of this
38 section, the taxpayer ELECTRONIC RETURN PREPARER may bring a civil action in
39 tax court for a determination under this subsection. Within twenty days
40 after service of process is made on the department, the tax court shall
41 determine whether the suspension should be lifted. If the taxpayer
42 ELECTRONIC RETURN PREPARER requests an extension of the twenty day period and
43 establishes reasonable grounds why an extension should be granted, the court
44 may grant an extension of not more than forty additional days. A

determination made by the tax court under this subsection is final except as provided in section 12-170, subsection C.

~~D. In this section, unless the context otherwise requires:~~

~~1. "Electronic return preparer" means a person who for compensation prepares an electronic return, statement or other document or prepares a substantial portion of an electronic return, statement or other document or transforms a paper version of a completed return, statement or other document to an electronic version of the same return, statement or other document for filing with the department. Electronic return preparer does not include a person who for compensation provides only computational and informational software used to prepare and file taxes.~~

~~2. "Return, statement or other document" has the same meaning prescribed in section 42-1103.01.~~

Sec. 8. Section 42-1105, Arizona Revised Statutes, is amended to read:

42-1105. Taxpayer identification, verification and records;
retention

A. The federal taxpayer identification number, assigned pursuant to section 6109 of the internal revenue code, is the taxpayer identifier for purposes of the taxes administered pursuant to this article. Each person who is required to make a return, statement or other document shall include the identifier in order to secure the person's proper identification. If the return, statement or other document is made, electronically or otherwise, by another person on behalf of the taxpayer, the taxpayer shall furnish the identifier to the other person, and the person shall furnish both the taxpayer's identifier and his own identifier with the return, statement or document.

B. The department may prescribe by administrative rule alternative methods for signing, subscribing or verifying a return, statement or other document required or authorized to be filed with the department that have the same validity and consequence as the actual signature or written declaration of the taxpayer or other person required to sign, subscribe or verify the return, statement or other document. While the department is adopting a rule prescribing alternative methods for signing, subscribing or verifying a return, statement or other document, the director, by tax ruling, may waive the requirement of a signature for a particular type or class of return, statement or other document required to be filed with the department. For purposes of this subsection, "tax ruling" has the same meaning prescribed in section 42-2052.

C. A person who is a return preparer or an electronic return preparer shall furnish a completed copy of the return, statement or other document to the taxpayer no later than the time the return, statement or other document is presented for the taxpayer's signature.

1 D. Except as provided in section 42-3010, every person who is subject
2 to the taxes administered pursuant to this article shall keep and preserve
3 COPIES OF FILED TAX RETURNS, INCLUDING ANY ATTACHMENTS TO THE TAX RETURN, ANY
4 SIGNATURE DOCUMENTS USED FOR THE TAX RETURN, suitable records and other books
5 and accounts necessary to determine the tax for which the person is liable
6 for the period prescribed in section 42-1104. The books, records and accounts
7 shall be open for inspection at any reasonable time by the department or its
8 authorized agent.

9 E. Except as provided in section 42-3010, a return preparer OR
10 ELECTRONIC RETURN PREPARER shall keep copies of the return, statement or
11 other document for six years for transaction privilege AND USE tax returns
12 and four years for all other returns, statements and other documents
13 following the date on which the return, statement or other document was due
14 to be filed or was filed with the department, whichever is later.

15 F. Except as provided in section 42-3010, the department may authorize
16 REQUIRE by administrative rule electronic return preparers to keep for each
17 prepared return, statement or other document the following documents for six
18 years for transaction privilege AND USE tax returns and four years for all
19 other returns, statements and other documents following the later of either
20 the date on which the return, statement or other document was filed or was
21 due to be filed with the department:

22 1. The signature document or tax return form bearing the taxpayer's
23 original signature in a manner prescribed by the department by administrative
24 rule or tax ruling.

25 2. Any attachments to the return, statement or other document required
26 to be submitted to the department if the return, statement or other document
27 had not been electronically transmitted to the department.

28 G. The operator of a swap meet, flea market, fair, carnival, festival,
29 circus or other transient selling event shall maintain a current list of
30 vendors conducting business on the premises as sellers. The list shall
31 include each vendor name, business name and business address. On written
32 notice the department may require an operator to submit a copy of the list
33 at any time to the department.

34 H. For at least the period of time prescribed by section 42-1104, the
35 department shall retain records pursuant to sections 41-1346 through 41-1349
36 and 41-1351.

37 ~~1. In this section, unless the context otherwise requires:~~

38 ~~1. "Electronic return preparer" has the same meaning prescribed in~~
39 ~~section 42-1103.03.~~

40 ~~2. "Return preparer" has the same meaning prescribed in section~~
41 ~~42-1103.01.~~

42 ~~3. "Return, statement or other document" has the same meaning~~
43 ~~prescribed in section 42-1103.01.~~

1 Sec. 9. Section 42-1105.01, Arizona Revised Statutes, is amended to
2 read:

3 42-1105.01. Signatures; return preparers and electronic return
4 preparers; definition

5 A. Any person who is a return preparer or an electronic return
6 preparer shall sign the prepared return, statement or other document
7 according to the department's administrative rules or tax rulings. FOR THE
8 PURPOSES OF THIS SECTION,

9 ~~8. In this section, unless the context otherwise requires:~~

10 ~~1. "Electronic return preparer" has the same meaning prescribed in~~
11 ~~section 42-1103.03.~~

12 ~~2. "Return preparer" has the same meaning prescribed in section~~
13 ~~42-1103.01.~~

14 ~~3. "Return, statement or other document" has the same meaning~~
15 ~~prescribed in section 42-1103.01.~~

16 ~~4. "tax ruling" has the same meaning prescribed in section 42-2052.~~

17 Sec. 10. Section 42-1105.02, Arizona Revised Statutes, is amended to
18 read:

19 42-1105.02. Date of filing by electronic means; definitions

20 A. Any return, statement or other document that is electronically
21 filed pursuant to an electronic filing program established by the department
22 shall be deemed filed and received by the department on the date of the
23 electronic postmark. If the taxpayer and the electronic return preparer or
24 the electronic return transmitter are in different time zones, it is the
25 taxpayer's time zone, as determined by the taxpayer's address, that controls
26 the timeliness of the electronically filed return, statement or other
27 document. When a return, statement or other document has been electronically
28 received on the host system of more than one electronic return preparer or
29 electronic return transmitter during its ultimate transmission to the
30 department, the return, statement or other document shall be deemed filed and
31 received by the department on the date of the earliest electronic postmark.

32 B. Any return, statement or other document THAT IS filed under
33 subsection A of this section AND that is not received by the department shall
34 be deemed filed and received on the date of the electronic filing, as
35 evidenced by the electronic postmark if the sender:

36 1. Establishes the date of the electronic filing.

37 2. Files a duplicate filing with the department within ten days after
38 the department notifies the sender in writing of the nonreceipt of the
39 filing.

40 C. If the due date of any return, statement or other document filed
41 under subsection A of this section falls on a Saturday, Sunday or legal
42 holiday, the filing shall be considered timely if it is performed on the next
43 business day.

1 D. In this section, unless the context otherwise requires:

2 1. "Electronic filing program" means any program established by the
3 department that authorizes the electronic filing of a return, statement or
4 other document.

5 2. "Electronic postmark" means a record of the date and time in a
6 particular time zone that the return, statement or other document is
7 electronically received on the host system of the electronic return preparer
8 or electronic return transmitter that participates in the transmission of the
9 electronic return, statement or other document to the department.

10 ~~3. "Electronic return preparer" has the same meaning prescribed in~~
11 ~~section 42-1103.03.~~

12 ~~4. "Electronic return transmitter" means a person who receives the~~
13 ~~electronic return, statement or other document from a taxpayer or electronic~~
14 ~~return preparer for ultimate transmittal to the department.~~

15 ~~5. "Return, statement or other document" has the same meaning~~
16 ~~prescribed in section 42-1103.01.~~

17 Sec. 11. Section 42-1125.01, Arizona Revised Statutes, is amended to
18 read:

19 42-1125.01. Civil penalties for return preparers, electronic
20 filing and payment participants

21 A. If a return preparer or electronic return preparer fails to furnish
22 a completed copy of any return, statement or other document to the taxpayer
23 when the return, statement or other document is presented for the taxpayer's
24 signature, the return preparer shall pay a penalty of fifty dollars unless
25 it is shown that the failure is due to reasonable cause and not due to wilful
26 neglect. The maximum penalty amount for a return preparer under this
27 subsection during any calendar year shall not exceed twenty-five thousand
28 dollars.

29 B. If a return preparer or electronic return preparer fails to sign
30 any return, statement or other document, the return preparer or electronic
31 return preparer shall pay a penalty of fifty dollars unless it is shown that
32 the failure is due to reasonable cause and not due to wilful neglect. The
33 maximum penalty amount for a return preparer or electronic return preparer
34 under this subsection during any calendar year shall not exceed twenty-five
35 thousand dollars.

36 C. If a return preparer or electronic return preparer fails to furnish
37 the preparer's identifying number on any return, statement or other document,
38 the return preparer or electronic return preparer shall pay a penalty of
39 fifty dollars unless it is shown that the failure is due to reasonable cause
40 and not due to wilful neglect. The maximum penalty amount for a return
41 preparer or electronic return preparer under this subsection during any
42 calendar year shall not exceed twenty-five thousand dollars.

43 D. If a return preparer or electronic return preparer fails to retain
44 a copy of any return, statement or other document for SIX YEARS FOR
45 TRANSACTION PRIVILEGE AND USE TAX RETURNS AND four years FOR ALL OTHER

1 RETURNS, STATEMENTS OR OTHER DOCUMENTS following the later of either the date
2 on which the return, statement or other document was filed or was due to be
3 filed with the department, the return preparer or electronic return preparer
4 shall pay a penalty of fifty dollars unless it is shown that the failure is
5 due to reasonable cause and not due to wilful neglect. The maximum penalty
6 amount for a return preparer or electronic return preparer under this
7 subsection during any calendar year shall not exceed twenty-five thousand
8 dollars.

9 E. If a return preparer or electronic return preparer fraudulently
10 endorses or negotiates any check that is issued to a taxpayer, the return
11 preparer or electronic return preparer shall pay a penalty of five hundred
12 dollars.

13 F. An electronic return preparer or electronic return transmitter that
14 fails to comply with any electronic filing program requirement shall pay a
15 penalty of fifty dollars for each failure unless it is shown that the failure
16 is due to reasonable cause and not due to wilful neglect. The maximum
17 penalty amount for a return preparer, electronic return preparer or
18 electronic return transmitter under this subsection during any calendar year
19 shall not exceed twenty-five thousand dollars.

20 G. The penalties provided in this section are in addition to other
21 penalties provided by law.

22 H. All penalties are payable on notice and demand from the department.

23 I. This section applies to all taxes administered by the department.

24 ~~J. In this section, unless the context otherwise requires:~~

25 ~~1. "Electronic return preparer" has the same meaning prescribed in~~
26 ~~section 42-1103.03.~~

27 ~~2. "Electronic return transmitter" has the same meaning prescribed in~~
28 ~~section 42-1105.02.~~

29 ~~3. "Return preparer" has the same meaning prescribed in section~~
30 ~~42-1103.01.~~

31 ~~4. "Return, statement or other document" has the same meaning~~
32 ~~prescribed in section 42-1103.01.~~

33 Sec. 12. Section 42-2001, Arizona Revised Statutes, is amended to
34 read:

35 42-2001. Definitions

36 In this article, unless the context otherwise requires:

37 1. "Affidavits" includes forms received to report nontaxable estates.

38 ~~2. "Claimant" means a person asserting an ownership interest in~~
39 ~~property presumed abandoned under title 44, chapter 3.~~

40 ~~3. 2. "Confidential information":~~

41 (a) Includes the following information whether it concerns individual
42 taxpayers or is aggregate information for specifically identified taxpayers:

43 (i) Returns and reports filed with the department for income tax,
44 withholding tax, transaction privilege tax, luxury tax, use tax, rental

1 occupancy tax, property tax, estate tax, AND severance tax and unclaimed
2 property.

3 (ii) Affidavits, reports or other information filed relating to
4 taxable and nontaxable estates and to claims for unclaimed property.

5 (iii) Applications for transaction privilege licenses, luxury tax
6 licenses, use tax licenses and withholding licenses.

7 (iv) Information discovered concerning taxes and receipts by the
8 department, whether or not by compulsory process.

9 (v) Return information obtained from the United States internal
10 revenue service and United States bureau of alcohol, tobacco and firearms.

11 (vi) Information supplied at the special request of the department by
12 a taxpayer or claimant of unclaimed property which the taxpayer requests to
13 be held in confidence.

14 (vii) Guidelines, standards or procedures that are established by the
15 department for, or other information relating to, selecting returns or
16 taxpayers for examination or settling or compromising any tax liability.

17 (viii) A taxpayer's identity, the nature, source or amount of the
18 taxpayer's income, payments, receipts, deductions, exemptions, credits,
19 assets, liabilities, net worth, tax liability, tax withheld, deficiencies,
20 overassessments or tax payments, whether the taxpayer's return was, is being
21 or will be examined or subject to investigation, collection or processing or
22 any other data received by, recorded by, prepared by, furnished to or
23 collected by the department with respect to a return or with respect to the
24 termination, or possible existence, of liability of any person for any tax,
25 penalty or interest imposed pursuant to this title or title 43 or unclaimed
26 property.

27 (b) Does not include information which is otherwise a public record.

28 4. 3. "Report" includes a notice of insurance payments, a request for
29 a release of a bank account, AND an inventory of a safe deposit box and a
30 holders' report of abandoned property.

31 5. 4. "Return" includes any form prescribed by the department and any
32 supporting schedules, attachments and lists.

33 6. 5. "Tax administration" includes assessment, collection,
34 investigation, litigation, statistical gathering functions, enforcement,
35 policy making functions or management of those functions of the tax revenue
36 laws of this state.

37 7. 6. "Taxpayer", with respect to a joint return, means either party.

38 Sec. 13. Section 42-2003, Arizona Revised Statutes, as amended by Laws
39 2002, chapter 50, section 2, is amended to read:

40 42-2003. Authorized disclosure of confidential information

41 A. Confidential information relating to:

42 1. A taxpayer may be disclosed to the taxpayer, its successor in
43 interest or a designee of the taxpayer who is authorized in writing by the
44 taxpayer. A principal corporate officer of a parent corporation may execute
45 a written authorization for a controlled subsidiary.

1 2. A corporate taxpayer may be disclosed to any principal officer, any
2 person designated by a principal officer or any person designated in a
3 resolution by the corporate board of directors or other similar governing
4 body.

5 3. A partnership may be disclosed to any partner of the partnership.
6 This exception does not include disclosure of confidential information of a
7 particular partner unless otherwise authorized.

8 4. An estate may be disclosed to the personal representative of the
9 estate and to any heir, next of kin or beneficiary under the will of the
10 decedent if the department finds that the heir, next of kin or beneficiary
11 has a material interest which will be affected by the confidential
12 information.

13 5. A trust may be disclosed to the trustee or trustees, jointly or
14 separately, and to the grantor or any beneficiary of the trust if the
15 department finds that the grantor or beneficiary has a material interest
16 which will be affected by the confidential information.

17 6. Any taxpayer may be disclosed if the taxpayer has waived any rights
18 to confidentiality either in writing or on the record in any administrative
19 or judicial proceeding.

20 ~~7. A claimant may be disclosed to the claimant, its successor in~~
21 ~~interest or a designee of the claimant pursuant to written authorization by~~
22 ~~the claimant.~~

23 8. Confidential information may be disclosed to:

24 1. Any employee of the department whose official duties involve tax
25 or unclaimed property administration.

26 2. The office of the attorney general solely for its use in
27 preparation for, or in an investigation which may result in, any proceeding
28 involving tax or unclaimed property administration before the department or
29 any other agency or board of this state, or before any grand jury or any
30 state or federal court.

31 3. The department of liquor licenses and control for its use in
32 determining whether a spirituous liquor licensee has paid all transaction
33 privilege taxes and affiliated excise taxes incurred as a result of the sale
34 of spirituous liquor at the licensed establishment and imposed on the
35 licensed establishments by this state and its political subdivisions.

36 4. Other state tax or unclaimed property officials of this state whose
37 official duties require the disclosure for proper tax or unclaimed property
38 administration purposes if the information is sought in connection with an
39 investigation or any other proceeding conducted by the official. Any
40 disclosure is limited to information of a taxpayer or claimant who is being
41 investigated or who is a party to a proceeding conducted by the official.

42 5. The following agencies, officials and organizations, if they grant
43 substantially similar privileges to the department for the type of
44 information being sought, pursuant to statute and a written agreement between

1 the department and the foreign country, agency, state, Indian tribe or
2 organization:

3 (a) The United States internal revenue service, United States bureau
4 of alcohol, tobacco and firearms, United States drug enforcement agency and
5 federal bureau of investigation.

6 (b) A state tax or ~~unclaimed property~~ official of another state.

7 (c) An organization of states that operates an information exchange
8 for tax administration purposes.

9 (d) An agency, official or organization of a foreign country with
10 responsibilities that are comparable to those listed in subdivision (a), (b)
11 or (c) of this paragraph.

12 (e) An agency, official or organization of an Indian tribal government
13 with responsibilities comparable to the responsibilities of the agencies,
14 officials or organizations identified in subdivision (a), (b) or (c) of this
15 paragraph.

16 6. The auditor general, in connection with any audit of the department
17 subject to the restrictions in section 42-2002, subsection C.

18 7. Any person to the extent necessary for effective tax or ~~unclaimed~~
19 property administration in connection with:

20 (a) The processing, storage, transmission, destruction and
21 reproduction of the information.

22 (b) The programming, maintenance, repair, testing and procurement of
23 equipment for purposes of tax administration.

24 8. The office of administrative hearings relating to taxes
25 administered by the department pursuant to section 42-1101, but the
26 department shall not disclose any confidential information:

27 (a) Regarding income tax, withholding tax or estate tax.

28 (b) On any tax issue relating to information associated with the
29 reporting of income tax, withholding tax or estate tax.

30 9. The United States treasury inspector general for tax administration
31 for the purpose of reporting a violation of internal revenue code section
32 7213A (26 United States Code section 7213A), unauthorized inspection of
33 returns or return information.

34 10. The financial management service of the United States treasury
35 department for use in the treasury offset program.

36 C. Confidential information may be disclosed in any state or federal
37 judicial or administrative proceeding pertaining to tax or ~~unclaimed property~~
38 administration if the taxpayer or ~~claimant~~ is a party to the proceeding.

39 D. Identity information may be disclosed for purposes of notifying:

40 1. persons entitled to tax refunds if the department is unable to
41 locate the persons after reasonable effort.

42 2. ~~Owners of unclaimed property pursuant to section 44-309.~~

43 E. The department, upon the request of any person, shall provide the
44 names and addresses of bingo licensees as defined in section 5-401 or verify

1 whether or not a person has a privilege license and number or withholding
2 license and number.

3 F. A department employee, in connection with the official duties
4 relating to any audit, collection activity or civil or criminal
5 investigation, may disclose return information to the extent that disclosure
6 is necessary to obtain information which is not otherwise reasonably
7 available. These official duties include the correct determination of and
8 liability for tax, the amount to be collected or the enforcement of other
9 state tax revenue laws.

10 G. If an organization is exempt from this state's income tax as
11 provided in section 43-1201 for any taxable year, the name and address of the
12 organization and the application filed by the organization upon which the
13 department made its determination for exemption together with any papers
14 submitted in support of the application and any letter or document issued by
15 the department concerning the application are open to public inspection.

16 H. Confidential information relating to transaction privilege tax, use
17 tax, SEVERANCE TAX, JET FUEL EXCISE AND USE TAX and rental occupancy tax may
18 be disclosed to any county, city or town tax official if the information
19 relates to a taxpayer who is or may be taxable by the county, city or town.
20 Any taxpayer information released by the department to the county, city or
21 town:

22 1. May only be used for internal purposes.

23 2. May not be disclosed to the public in any manner that does not
24 comply with confidentiality standards established by the department. The
25 county, city or town shall agree in writing with the department that any
26 release of confidential information that violates the confidentiality
27 standards adopted by the department will result in the immediate suspension
28 of any rights of the county, city or town to receive taxpayer information
29 under this subsection.

30 I. The department may disclose statistical information gathered from
31 confidential information if it does not disclose confidential information
32 attributable to any one taxpayer or ~~claimant of unclaimed property~~. In order
33 to comply with the requirements of section 42-5029, subsection A,
34 paragraph 3, the department may disclose to the state treasurer statistical
35 information gathered from confidential information, even if it discloses
36 confidential information attributable to a taxpayer.

37 J. The department may disclose the aggregate amounts of any tax
38 credit, tax deduction or tax exemption enacted after January 1, 1994.
39 Information subject to disclosure under this subsection shall not be
40 disclosed if a taxpayer demonstrates to the department that such information
41 would give an unfair advantage to competitors.

42 K. Except as provided in section 42-2002, subsection B, confidential
43 information, described in section 42-2001, paragraph 3-2, subdivision (a),
44 item (iii), may be disclosed to law enforcement agencies for law enforcement
45 purposes.

1 L. The department may provide transaction privilege tax license
2 information to property tax officials in a county for the purpose of
3 identification and verification of the tax status of commercial property.

4 M. The department may provide transaction privilege tax, luxury tax,
5 use tax, property tax and severance tax information to the ombudsman-citizens
6 aide pursuant to title 41, chapter 8, article 5.

7 N. Except as provided in section 42-2002, subsection C, a court may
8 order the department to disclose confidential information pertaining to a
9 party to an action. An order shall be made only upon a showing of good cause
10 and that the party seeking the information has made demand upon the taxpayer
11 or claimant for the information.

12 O. This section does not prohibit the disclosure by the department of
13 any information or documents submitted to the department by a bingo licensee.
14 Before disclosing the information the department shall obtain the name and
15 address of the person requesting the information.

16 P. If the department is required or permitted to disclose confidential
17 information, it may charge the person or agency requesting the information
18 for the reasonable cost of its services.

19 Q. Except as provided in section 42-2002, subsection C, the department
20 of revenue shall release confidential information as requested by the
21 department of economic security pursuant to section 42-1122 or 46-291.
22 Information disclosed under this subsection is limited to the same type of
23 information that the United States internal revenue service is authorized to
24 disclose under section 6103(1)(6) of the internal revenue code.

25 R. To comply with the requirements of section 42-5031, the department
26 may disclose to the state treasurer, to the county stadium district board of
27 directors and to any city or town tax official that is part of the county
28 stadium district confidential information attributable to a taxpayer's
29 business activity conducted in the county stadium district.

30 S. The department shall release confidential information as requested
31 by the attorney general for purposes of determining compliance with and
32 enforcing section 44-7101, the master settlement agreement referred to
33 therein and subsequent agreements to which the state is a party that amend
34 or implement the master settlement agreement. Information disclosed under
35 this subsection is limited to luxury tax information relating to tobacco
36 manufacturers, distributors, wholesalers and retailers and information
37 collected by the department pursuant to section 44-7101(2)(j).

38 T. FOR PROCEEDINGS BEFORE THE DEPARTMENT, THE OFFICE OF ADMINISTRATIVE
39 HEARINGS, THE BOARD OF TAX APPEALS OR ANY STATE OR FEDERAL COURT INVOLVING
40 PENALTIES THAT WERE ASSESSED AGAINST A RETURN PREPARER OR ELECTRONIC RETURN
41 PREPARER PURSUANT TO SECTION 42-1103.02 OR 42-1125.01, CONFIDENTIAL
42 INFORMATION MAY BE DISCLOSED ONLY BEFORE THE JUDGE OR ADMINISTRATIVE LAW
43 JUDGE ADJUDICATING THE PROCEEDING, THE PARTIES TO THE PROCEEDING AND THE
44 PARTIES' REPRESENTATIVES IN THE PROCEEDING PRIOR TO ITS INTRODUCTION INTO
45 EVIDENCE IN THE PROCEEDING. THE CONFIDENTIAL INFORMATION MAY BE INTRODUCED

1 AS EVIDENCE IN THE PROCEEDING ONLY IF THE TAXPAYER'S NAME, THE NAMES OF ANY
2 DEPENDENTS LISTED ON THE RETURN, ALL SOCIAL SECURITY NUMBERS, THE TAXPAYER'S
3 ADDRESS, THE TAXPAYER'S SIGNATURE AND ANY ATTACHMENTS CONTAINING ANY OF THE
4 FOREGOING INFORMATION ARE REDACTED AND IF EITHER:

5 1. THE TREATMENT OF AN ITEM REFLECTED ON SUCH RETURN IS OR MAY BE
6 RELATED TO THE RESOLUTION OF AN ISSUE IN THE PROCEEDING.

7 2. SUCH RETURN OR RETURN INFORMATION RELATES OR MAY RELATE TO A
8 TRANSACTIONAL RELATIONSHIP BETWEEN A PERSON WHO IS A PARTY TO THE PROCEEDING
9 AND THE TAXPAYER WHICH DIRECTLY AFFECTS THE RESOLUTION OF AN ISSUE IN THE
10 PROCEEDING.

11 Sec. 14. Section 42-5061, Arizona Revised Statutes, is amended to
12 read:

13 42-5061. Retail classification; definitions

14 A. The retail classification is comprised of the business of selling
15 tangible personal property at retail. The tax base for the retail
16 classification is the gross proceeds of sales or gross income derived from
17 the business. The tax imposed on the retail classification does not apply
18 to the gross proceeds of sales or gross income from:

19 1. Professional or personal service occupations or businesses which
20 involve sales or transfers of tangible personal property only as
21 inconsequential elements.

22 2. Services rendered in addition to selling tangible personal property
23 at retail.

24 3. Sales of warranty or service contracts. The storage, use or
25 consumption of tangible personal property provided under the conditions of
26 such contracts is subject to tax under section 42-5156.

27 4. Sales of tangible personal property by any nonprofit organization
28 organized and operated exclusively for charitable purposes and recognized by
29 the United States internal revenue service under section 501(c)(3) of the
30 internal revenue code.

31 5. Sales to persons engaged in business classified under the
32 restaurant classification of articles used by human beings for food, drink
33 or condiment, whether simple, mixed or compounded.

34 6. Business activity which is properly included in any other business
35 classification which is taxable under article 1 of this chapter.

36 7. The sale of stocks and bonds.

37 8. Drugs and medical oxygen, including delivery hose, mask or tent,
38 regulator and tank, on the prescription of a member of the medical, dental
39 or veterinarian profession who is licensed by law to administer such
40 substances.

41 9. Prosthetic appliances as defined in section 23-501 prescribed or
42 recommended by a health professional licensed pursuant to title 32, chapter
43 7, 8, 11, 13, 14, 15, 16, 17 or 29.

44 10. Insulin, insulin syringes and glucose test strips.

45 11. Prescription eyeglasses or contact lenses.

1 12. Hearing aids as defined in section 36-1901.

2 13. Durable medical equipment which has a federal health care financing
3 administration CENTERS FOR MEDICARE AND MEDICAID SERVICES common procedure
4 code, is designated reimbursable by medicare, is prescribed by a person who
5 is licensed under title 32, chapter 7, 8, 13, 14, 15, 17 or 29, can withstand
6 repeated use, is primarily and customarily used to serve a medical purpose,
7 is generally not useful to a person in the absence of illness or injury and
8 is appropriate for use in the home.

9 14. Sales to nonresidents of this state for use outside this state if
10 the vendor ships or delivers the tangible personal property out of this
11 state.

12 15. Food, as provided in and subject to the conditions of article 3 of
13 this chapter and section 42-5074.

14 16. Items purchased with United States department of agriculture food
15 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.
16 958) or food instruments issued under section 17 of the child nutrition act
17 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code
18 section 1786).

19 17. Textbooks by any bookstore that are required by any state
20 university or community college.

21 18. Food and drink to a person who is engaged in business which is
22 classified under the restaurant classification and which provides such food
23 and drink without monetary charge to its employees for their own consumption
24 on the premises during the employees' hours of employment.

25 19. Articles of food, drink or condiment and accessory tangible
26 personal property to a school district if such articles and accessory
27 tangible personal property are to be prepared and served to persons for
28 consumption on the premises of a public school within the district during
29 school hours.

30 20. Lottery tickets or shares pursuant to title 5, chapter 5,
31 article 1.

32 21. The sale of precious metal bullion and monetized bullion to the
33 ultimate consumer, but the sale of coins or other forms of money for
34 manufacture into jewelry or works of art is subject to the tax. In this
35 paragraph:

36 (a) "Monetized bullion" means coins and other forms of money which are
37 manufactured from gold, silver or other metals and which have been or are
38 used as a medium of exchange in this or another state, the United States or
39 a foreign nation.

40 (b) "Precious metal bullion" means precious metal, including gold,
41 silver, platinum, rhodium and palladium, which has been smelted or refined
42 so that its value depends on its contents and not on its form.

43 22. Motor vehicle fuel and use fuel which are subject to a tax imposed
44 under title 28, chapter 16, article 1, sales of use fuel to a holder of a
45 valid single trip use fuel tax permit issued under section 28-5739, sales of

1 aviation fuel which are subject to the tax imposed under section 28-8344 and
2 sales of jet fuel which are subject to the tax imposed under article 8 of
3 this chapter.

4 23. Tangible personal property sold to a person engaged in the business
5 of leasing or renting such property under the personal property rental
6 classification if such property is to be leased or rented by such person.

7 24. Tangible personal property sold in interstate or foreign commerce
8 if prohibited from being so taxed by the Constitution of the United States
9 or the constitution of this state.

10 25. Tangible personal property sold to:

11 (a) A qualifying hospital as defined in section 42-5001.

12 (b) A qualifying health care organization as defined in section
13 42-5001 if the tangible personal property is used by the organization solely
14 to provide health and medical related educational and charitable services.

15 (c) A qualifying health care organization as defined in section
16 42-5001 if the organization is dedicated to providing educational,
17 therapeutic, rehabilitative and family medical education training for blind,
18 visually impaired and multihandicapped children from the time of birth to age
19 twenty-one.

20 (d) A qualifying community health center as defined in section
21 42-5001.

22 (e) A nonprofit charitable organization that has qualified under
23 section 501(c)(3) of the internal revenue code and that regularly serves
24 meals to the needy and indigent on a continuing basis at no cost.

25 (f) For taxable periods beginning from and after June 30, 2001, a
26 nonprofit charitable organization that has qualified under section 501(c)(3)
27 of the internal revenue code and that provides residential apartment housing
28 for low income persons over sixty-two years of age in a facility that
29 qualifies for a federal housing subsidy, if the tangible personal property
30 is used by the organization solely to provide residential apartment housing
31 for low income persons over sixty-two years of age in a facility that
32 qualifies for a federal housing subsidy.

33 26. Magazines or other periodicals or other publications by this state
34 to encourage tourist travel.

35 27. Tangible personal property sold to a person that is subject to tax
36 under this article by reason of being engaged in business classified under
37 the prime contracting classification under section 42-5075, or to a
38 subcontractor working under the control of a prime contractor that is subject
39 to tax under article 1 of this chapter, if the property so sold is any of the
40 following:

41 (a) Incorporated or fabricated by the person into any real property,
42 structure, project, development or improvement as part of the business.

43 (b) Used in environmental response or remediation activities under
44 section 42-5075, subsection B, paragraph 6.

1 (c) Incorporated or fabricated by the person into any lake facility
2 development in a commercial enhancement reuse district under conditions
3 prescribed for the deduction allowed by section 42-5075, subsection B,
4 paragraph 8.

5 28. The sale of a motor vehicle to:

6 (a) A nonresident of this state if the purchaser's state of residence
7 does not allow a corresponding use tax exemption to the tax imposed by
8 article 1 of this chapter and if the nonresident has secured a special
9 thirty-day nonresident registration of the vehicle by applying according to
10 section 28-2154.

11 (b) An enrolled member of an Indian tribe who resides on the Indian
12 reservation established for that tribe.

13 29. Tangible personal property purchased or leased in this state by a
14 nonprofit charitable organization that has qualified under section 501(c)(3)
15 of the United States internal revenue code and that engages in and uses such
16 property exclusively for training, job placement or rehabilitation programs
17 or testing for mentally or physically handicapped persons.

18 30. Sales of tangible personal property by a nonprofit organization
19 that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6)
20 of the internal revenue code if the organization is associated with a major
21 league baseball team or a national touring professional golfing association
22 and no part of the organization's net earnings inures to the benefit of any
23 private shareholder or individual.

24 31. Sales of commodities, as defined by title 7 United States Code
25 section 2, that are consigned for resale in a warehouse in this state in or
26 from which the commodity is deliverable on a contract for future delivery
27 subject to the rules of a commodity market regulated by the United States
28 commodity futures trading commission.

29 32. Sales of tangible personal property by a nonprofit organization
30 that is exempt from taxation under section 501(c)(3), 501(c)(4), 501(c)(6),
31 501(c)(7) or 501(c)(8) of the internal revenue code if the organization
32 sponsors or operates a rodeo featuring primarily farm and ranch animals and
33 no part of the organization's net earnings inures to the benefit of any
34 private shareholder or individual.

35 ~~33. Sales of new semitrailers, as defined in section 28-101,~~
36 ~~manufactured in Arizona, or new parts manufactured in Arizona for~~
37 ~~semitrailers sold by the manufacturer to a person who holds an interstate~~
38 ~~commerce commission license for use in interstate commerce.~~

39 ~~34. 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other~~
40 ~~propagative material to persons who use those items to commercially produce~~
41 ~~agricultural, horticultural, viticultural or floricultural crops in this~~
42 ~~state.~~

43 ~~35. 34. Machinery, equipment, technology or related supplies that are~~
44 ~~only useful to assist a person who is physically disabled as defined in~~
45 ~~section 46-191, has a developmental disability as defined in section 36-551~~

1 or has a head injury as defined in section 41-3201 to be more independent and
2 functional.

3 ~~36.~~ 35. Sales of tangible personal property that is shipped or
4 delivered directly to a destination outside the United States for use in that
5 foreign country.

6 ~~37.~~ 36. Sales of natural gas or liquefied petroleum gas used to propel
7 a motor vehicle.

8 ~~38.~~ 37. Paper machine clothing, such as forming fabrics and dryer
9 felts, sold to a paper manufacturer and directly used or consumed in paper
10 manufacturing.

11 ~~39.~~ 38. Coal, petroleum, coke, natural gas, virgin fuel oil and
12 electricity sold to a qualified environmental technology manufacturer,
13 producer or processor as defined in section 41-1514.02 and directly used or
14 consumed in the generation or provision of on-site power or energy solely for
15 environmental technology manufacturing, producing or processing or
16 environmental protection. This paragraph shall apply for fifteen full
17 consecutive calendar or fiscal years from the date the first paper
18 manufacturing machine is placed in service. In the case of an environmental
19 technology manufacturer, producer or processor who does not manufacture
20 paper, the time period shall begin with the date the first manufacturing,
21 processing or production equipment is placed in service.

22 ~~40.~~ 39. Sales of liquid, solid or gaseous chemicals used in
23 manufacturing, processing, fabricating, mining, refining, metallurgical
24 operations, research and development and, beginning on January 1, 1999,
25 printing, if using or consuming the chemicals, alone or as part of an
26 integrated system of chemicals, involves direct contact with the materials
27 from which the product is produced for the purpose of causing or permitting
28 a chemical or physical change to occur in the materials as part of the
29 production process. This paragraph does not include chemicals that are used
30 or consumed in activities such as packaging, storage or transportation but
31 does not affect any deduction for such chemicals that is otherwise provided
32 by this section. For purposes of this paragraph, "printing" means a
33 commercial printing operation and includes job printing, engraving,
34 embossing, copying and bookbinding.

35 ~~41.~~ 40. Through December 31, 1994, personal property liquidation
36 transactions, conducted by a personal property liquidator. From and after
37 December 31, 1994, personal property liquidation transactions shall be
38 taxable under this section provided that nothing in this subsection shall be
39 construed to authorize the taxation of casual activities or transactions
40 under this chapter. In this paragraph:

41 (a) "Personal property liquidation transaction" means a sale of
42 personal property made by a personal property liquidator acting solely on
43 behalf of the owner of the personal property sold at the dwelling of the
44 owner or upon the death of any owner, on behalf of the surviving spouse, if

1 any, any devisee or heir or the personal representative of the estate of the
2 deceased, if one has been appointed.

3 (b) "Personal property liquidator" means a person who is retained to
4 conduct a sale in a personal property liquidation transaction.

5 ~~42.~~ 41. Sales of food, drink and condiment for consumption within the
6 premises of any prison, jail or other institution under the jurisdiction of
7 the state department of corrections, the department of public safety, the
8 department of juvenile corrections or a county sheriff.

9 ~~43.~~ 42. A motor vehicle and any repair and replacement parts and
10 tangible personal property becoming a part of such motor vehicle sold to a
11 motor carrier who is subject to a fee prescribed in title 28, chapter 16,
12 article 4 and who is engaged in the business of leasing or renting such
13 property.

14 ~~44.~~ 43. Livestock and poultry feed, salts, vitamins and other
15 additives for livestock or poultry consumption that are sold to persons who
16 are engaged in producing livestock, poultry, or livestock or poultry products
17 or who are engaged in feeding livestock or poultry commercially. For
18 purposes of this paragraph, "poultry" includes ratites.

19 ~~45.~~ 44. Sales of implants used as growth promotants and injectable
20 medicines, not already exempt under paragraph 8 of this subsection, for
21 livestock or poultry owned by or in possession of persons who are engaged in
22 producing livestock, poultry, or livestock or poultry products or who are
23 engaged in feeding livestock or poultry commercially. For purposes of this
24 paragraph, "poultry" includes ratites.

25 ~~46.~~ 45. Sales of motor vehicles at auction to nonresidents of this
26 state for use outside this state if the vehicles are shipped or delivered out
27 of this state, regardless of where title to the motor vehicles passes or its
28 free on board point.

29 ~~47.~~ 46. Tangible personal property sold to a person engaged in
30 business and subject to tax under the transient lodging classification if the
31 tangible personal property is a personal hygiene item or articles used by
32 human beings for food, drink or condiment, except alcoholic beverages, which
33 are furnished without additional charge to and intended to be consumed by the
34 transient during the transient's occupancy.

35 ~~48.~~ 47. Sales of alternative fuel, as defined in section 1-215, to a
36 used oil fuel burner who has received a permit to burn used oil or used oil
37 fuel under section 49-426 or 49-480.

38 ~~49.~~ 48. Sales of materials that are purchased by or for publicly
39 funded libraries including school district libraries, charter school
40 libraries, community college libraries, state university libraries or
41 federal, state, county or municipal libraries for use by the public as
42 follows:

43 (a) Printed or photographic materials, beginning August 7, 1985.

44 (b) Electronic or digital media materials, beginning July 17, 1994.

~~50.~~ 49. Tangible personal property sold to a commercial airline and consisting of food, beverages and condiments and accessories used for serving the food and beverages, if those items are to be provided without additional charge to passengers for consumption in flight. For purposes of this paragraph, "commercial airline" means a person holding a federal certificate of public convenience and necessity or foreign air carrier permit for air transportation to transport persons, property or United States mail in intrastate, interstate or foreign commerce.

~~51.~~ 50. Sales of alternative fuel vehicles, as defined in section 43-1086, if the vehicle was manufactured as a diesel fuel vehicle and converted to operate on alternative fuel and equipment that is installed in a conventional diesel fuel motor vehicle to convert the vehicle to operate on an alternative fuel, as defined in section 1-215.

~~52.~~ 51. Sales of any spirituous, vinous or malt liquor by a person that is licensed in this state as a wholesaler by the department of liquor licenses and control pursuant to title 4, chapter 2, article 1.

~~53.~~ 52. Sales of tangible personal property to be incorporated or installed as part of environmental response or remediation activities under section 42-5075, subsection B, paragraph 6.

~~54.~~ 53. Sales of tangible personal property by a nonprofit organization that is exempt from taxation under section 501(c)(6) of the internal revenue code if the organization produces, organizes or promotes cultural or civic related festivals or events and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

B. In addition to the deductions from the tax base prescribed by subsection A of this section, the gross proceeds of sales or gross income derived from sales of the following categories of tangible personal property shall be deducted from the tax base:

1. Machinery, or equipment, used directly in manufacturing, processing, fabricating, job printing, refining or metallurgical operations. The terms "manufacturing", "processing", "fabricating", "job printing", "refining" and "metallurgical" as used in this paragraph refer to and include those operations commonly understood within their ordinary meaning. "Metallurgical operations" includes leaching, milling, precipitating, smelting and refining.

2. Mining machinery, or equipment, used directly in the process of extracting ores or minerals from the earth for commercial purposes, including equipment required to prepare the materials for extraction and handling, loading or transporting such extracted material to the surface. "Mining" includes underground, surface and open pit operations for extracting ores and minerals.

3. Tangible personal property sold to persons engaged in business classified under the telecommunications classification and consisting of central office switching equipment, switchboards, private branch exchange

1 equipment, microwave radio equipment and carrier equipment including optical
2 fiber, coaxial cable and other transmission media which are components of
3 carrier systems.

4 4. Machinery, equipment or transmission lines used directly in
5 producing or transmitting electrical power, but not including distribution.
6 Transformers and control equipment used at transmission substation sites
7 constitute equipment used in producing or transmitting electrical power.

8 5. Neat animals, horses, asses, sheep, ratites, swine or goats used
9 or to be used as breeding or production stock, including sales of breedings
10 or ownership shares in such animals used for breeding or production.

11 6. Pipes or valves four inches in diameter or larger used to transport
12 oil, natural gas, artificial gas, water or coal slurry, including compressor
13 units, regulators, machinery and equipment, fittings, seals and any other
14 part that is used in operating the pipes or valves.

15 7. Aircraft, navigational and communication instruments and other
16 accessories and related equipment sold to:

17 (a) A person holding a federal certificate of public convenience and
18 necessity, a supplemental air carrier certificate under federal aviation
19 regulations (14 Code of Federal Regulations part 121) or a foreign air
20 carrier permit for air transportation for use as or in conjunction with or
21 becoming a part of aircraft to be used to transport persons, property or
22 United States mail in intrastate, interstate or foreign commerce.

23 (b) Any foreign government for use by such government outside of this
24 state.

25 (c) Persons who are not residents of this state and who will not use
26 such property in this state other than in removing such property from this
27 state. This subdivision also applies to corporations that are not
28 incorporated in this state, regardless of maintaining a place of business in
29 this state, if the principal corporate office is located outside this state
30 and the property will not be used in this state other than in removing the
31 property from this state.

32 8. Machinery, tools, equipment and related supplies used or consumed
33 directly in repairing, remodeling or maintaining aircraft, aircraft engines
34 or aircraft component parts by or on behalf of a certificated or licensed
35 carrier of persons or property.

36 9. Railroad rolling stock, rails, ties and signal control equipment
37 used directly to transport persons or property.

38 10. Machinery or equipment used directly to drill for oil or gas or
39 used directly in the process of extracting oil or gas from the earth for
40 commercial purposes.

41 11. Buses or other urban mass transit vehicles which are used directly
42 to transport persons or property for hire or pursuant to a governmentally
43 adopted and controlled urban mass transportation program and which are sold
44 to bus companies holding a federal certificate of convenience and necessity
45 or operated by any city, town or other governmental entity or by any person

1 contracting with such governmental entity as part of a governmentally adopted
2 and controlled program to provide urban mass transportation.

3 12. Groundwater measuring devices required under section 45-604.

4 13. New machinery and equipment consisting of tractors, tractor-drawn
5 implements, self-powered implements, machinery and equipment necessary for
6 extracting milk, and machinery and equipment necessary for cooling milk and
7 livestock, and drip irrigation lines not already exempt under paragraph 6 of
8 this subsection and that are used for commercial production of agricultural,
9 horticultural, viticultural and floricultural crops and products in this
10 state. In this paragraph:

11 (a) "New machinery and equipment" means machinery and equipment which
12 have never been sold at retail except pursuant to leases or rentals which do
13 not total two years or more.

14 (b) "Self-powered implements" includes machinery and equipment that
15 are electric-powered.

16 14. Machinery or equipment used in research and development. In this
17 paragraph, "research and development" means basic and applied research in the
18 sciences and engineering, and designing, developing or testing prototypes,
19 processes or new products, including research and development of computer
20 software that is embedded in or an integral part of the prototype or new
21 product or that is required for machinery or equipment otherwise exempt under
22 this section to function effectively. Research and development do not
23 include manufacturing quality control, routine consumer product testing,
24 market research, sales promotion, sales service, research in social sciences
25 or psychology, computer software research that is not included in the
26 definition of research and development, or other nontechnological activities
27 or technical services.

28 15. Machinery and equipment that are purchased by or on behalf of the
29 owners of a soundstage complex and primarily used for motion picture,
30 multimedia or interactive video production in the complex. This paragraph
31 applies only if the initial construction of the soundstage complex begins
32 after June 30, 1996 and before January 1, 2002 and the machinery and
33 equipment are purchased before the expiration of five years after the start
34 of initial construction. For purposes of this paragraph:

35 (a) "Motion picture, multimedia or interactive video production"
36 includes products for theatrical and television release, educational
37 presentations, electronic retailing, documentaries, music videos, industrial
38 films, CD-ROM, video game production, commercial advertising and television
39 episode production and other genres that are introduced through developing
40 technology.

41 (b) "Soundstage complex" means a facility of multiple stages including
42 production offices, construction shops and related areas, prop and costume
43 shops, storage areas, parking for production vehicles and areas that are
44 leased to businesses that complement the production needs and orientation of
45 the overall facility.

1 16. Tangible personal property that is used by either of the following
2 to receive, store, convert, produce, generate, decode, encode, control or
3 transmit telecommunications information:

4 (a) Any direct broadcast satellite television or data transmission
5 service that operates pursuant to 47 Code of Federal Regulations parts 25 and
6 100.

7 (b) Any satellite television or data transmission facility, if both
8 of the following conditions are met:

9 (i) Over two-thirds of the transmissions, measured in megabytes,
10 transmitted by the facility during the test period were transmitted to or on
11 behalf of one or more direct broadcast satellite television or data
12 transmission services that operate pursuant to 47 Code of Federal Regulations
13 parts 25 and 100.

14 (ii) Over two-thirds of the transmissions, measured in megabytes,
15 transmitted by or on behalf of those direct broadcast television or data
16 transmission services during the test period were transmitted by the facility
17 to or on behalf of those services.

18 For purposes of subdivision (b) of this paragraph, "test period" means the
19 three hundred sixty-five day period beginning on the later of the date on
20 which the tangible personal property is purchased or the date on which the
21 direct broadcast satellite television or data transmission service first
22 transmits information to its customers.

23 17. Clean rooms that are used for manufacturing, processing,
24 fabrication or research and development, as defined in paragraph 14 of this
25 subsection, of semiconductor products. For purposes of this paragraph,
26 "clean room" means all property that comprises or creates an environment
27 where humidity, temperature, particulate matter and contamination are
28 precisely controlled within specified parameters, without regard to whether
29 the property is actually contained within that environment or whether any of
30 the property is affixed to or incorporated into real property. Clean room:

31 (a) Includes the integrated systems, fixtures, piping, movable
32 partitions, lighting and all property that is necessary or adapted to reduce
33 contamination or to control airflow, temperature, humidity, chemical purity
34 or other environmental conditions or manufacturing tolerances, as well as the
35 production machinery and equipment operating in conjunction with the clean
36 room environment.

37 (b) Does not include the building or other permanent, nonremovable
38 component of the building that houses the clean room environment.

39 18. Machinery and equipment used directly in the feeding of poultry,
40 the environmental control of housing for poultry, the movement of eggs within
41 a production and packaging facility or the sorting or cooling of eggs. This
42 exemption does not apply to vehicles used for transporting eggs.

43 19. Machinery or equipment, including related structural components,
44 that is employed in connection with manufacturing, processing, fabricating,
45 job printing, refining, mining, natural gas pipelines, metallurgical

1 operations, telecommunications, producing or transmitting electricity or
2 research and development and that is used directly to meet or exceed rules
3 or regulations adopted by the federal energy regulatory commission, the
4 United States environmental protection agency, the United States nuclear
5 regulatory commission, the Arizona department of environmental quality or a
6 political subdivision of this state to prevent, monitor, control or reduce
7 land, water or air pollution.

8 20. Machinery and equipment that are sold to a person engaged in the
9 commercial production of livestock, livestock products or agricultural,
10 horticultural, viticultural or floricultural crops or products in this state
11 and that are used directly and primarily to prevent, monitor, control or
12 reduce air, water or land pollution.

13 21. Machinery or equipment that enables a television station to
14 originate and broadcast or to receive and broadcast digital television
15 signals and that was purchased to facilitate compliance with the
16 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United States
17 Code section 336) and the federal communications commission order issued
18 April 21, 1997 (47 Code of Federal Regulations part 73). This paragraph does
19 not exempt any of the following:

20 (a) Repair or replacement parts purchased for the machinery or
21 equipment described in this paragraph.

22 (b) Machinery or equipment purchased to replace machinery or equipment
23 for which an exemption was previously claimed and taken under this paragraph.

24 (c) Any machinery or equipment purchased after the television station
25 has ceased analog broadcasting, or purchased after November 1, 2009,
26 whichever occurs first.

27 C. The deductions provided by subsection B of this section do not
28 include sales of:

29 1. Expendable materials. For purposes of this paragraph, expendable
30 materials do not include any of the categories of tangible personal property
31 specified in subsection B of this section regardless of the cost or useful
32 life of that property.

33 2. Janitorial equipment and hand tools.

34 3. Office equipment, furniture and supplies.

35 4. Tangible personal property used in selling or distributing
36 activities, other than the telecommunications transmissions described in
37 subsection B, paragraph 16 of this section.

38 5. Motor vehicles required to be licensed by this state, except buses
39 or other urban mass transit vehicles specifically exempted pursuant to
40 subsection B, paragraph 11 of this section, without regard to the use of such
41 motor vehicles.

42 6. Shops, buildings, docks, depots and all other materials of whatever
43 kind or character not specifically included as exempt.

44 7. Motors and pumps used in drip irrigation systems.

1 D. In computing the tax base, gross proceeds of sales or gross income
2 from retail sales of automobiles does not include any amount attributable to
3 federal excise taxes imposed by 26 United States Code section 4001.

4 E. In addition to the deductions from the tax base prescribed by
5 subsection A of this section, there shall be deducted from the tax base the
6 gross proceeds of sales or gross income derived from sales of machinery,
7 equipment, materials and other tangible personal property used directly and
8 predominantly to construct a qualified environmental technology
9 manufacturing, producing or processing facility as described in section
10 41-1514.02. This subsection applies for ten full consecutive calendar or
11 fiscal years after the start of initial construction.

12 F. In computing the tax base, gross proceeds of sales or gross income
13 from retail sales of heavy trucks and trailers does not include any amount
14 attributable to federal excise taxes imposed by 26 United States Code section
15 4051.

16 G. In computing the tax base, gross proceeds of sales or gross income
17 from the sale of use fuel, as defined in section 28-5601, does not include
18 any amount attributable to federal excise taxes imposed by 26 United States
19 Code section 4091.

20 H. If a person is engaged in an occupation or business to which
21 subsection A of this section applies, the person's books shall be kept so as
22 to show separately the gross proceeds of sales of tangible personal property
23 and the gross income from sales of services, and if not so kept the tax shall
24 be imposed on the total of the person's gross proceeds of sales of tangible
25 personal property and gross income from services.

26 I. If a person is engaged in the business of selling tangible personal
27 property at both wholesale and retail, the tax under this section applies
28 only to the gross proceeds of the sales made other than at wholesale if the
29 person's books are kept so as to show separately the gross proceeds of sales
30 of each class, and if the books are not so kept, the tax under this section
31 applies to the gross proceeds of every sale so made.

32 J. A person who engages in manufacturing, baling, crating, boxing,
33 barreling, canning, bottling, sacking, preserving, processing or otherwise
34 preparing for sale or commercial use any livestock, agricultural or
35 horticultural product or any other product, article, substance or commodity
36 and who sells the product of such business at retail in this state is deemed,
37 as to such sales, to be engaged in business classified under the retail
38 classification. This subsection does not apply to businesses classified
39 under the:

- 40 1. Transporting classification.
- 41 2. Utility classification.
- 42 3. Telecommunications classification.
- 43 4. Pipeline classification.
- 44 5. Private car line classification.
- 45 6. Publication classification.

1 7. Job printing classification.

2 8. Prime contracting classification.

3 9. Owner builder sales classification.

4 10. Restaurant classification.

5 K. The gross proceeds of sales or gross income derived from the
6 following shall be deducted from the tax base for the retail classification:

7 1. Sales made directly to the United States government or its
8 departments or agencies by a manufacturer, modifier, assembler or repairer.

9 2. Sales made directly to a manufacturer, modifier, assembler or
10 repairer if such sales are of any ingredient or component part of products
11 sold directly to the United States government or its departments or agencies
12 by the manufacturer, modifier, assembler or repairer.

13 3. Overhead materials or other tangible personal property that is used
14 in performing a contract between the United States government and a
15 manufacturer, modifier, assembler or repairer, including property used in
16 performing a subcontract with a government contractor who is a manufacturer,
17 modifier, assembler or repairer, to which title passes to the government
18 under the terms of the contract or subcontract.

19 4. Sales of overhead materials or other tangible personal property to
20 a manufacturer, modifier, assembler or repairer if the gross proceeds of
21 sales or gross income derived from the property by the manufacturer,
22 modifier, assembler or repairer will be exempt under paragraph 3 of this
23 subsection.

24 L. There shall be deducted from the tax base fifty per cent of the
25 gross proceeds or gross income from any sale of tangible personal property
26 made directly to the United States government or its departments or agencies,
27 which is not deducted under subsection K of this section.

28 M. The department shall require every person claiming a deduction
29 provided by subsection K or L of this section to file on forms prescribed by
30 the department at such times as the department directs a sworn statement
31 disclosing the name of the purchaser and the exact amount of sales on which
32 the exclusion or deduction is claimed.

33 N. In computing the tax base, gross proceeds of sales or gross income
34 does not include:

35 1. A manufacturer's cash rebate on the sales price of a motor vehicle
36 if the buyer assigns the buyer's right in the rebate to the retailer.

37 2. The waste tire disposal fee imposed pursuant to section 44-1302.

38 O. There shall be deducted from the tax base the amount received from
39 sales of solar energy devices, but the deduction shall not exceed five
40 thousand dollars for each solar energy device. Before deducting any amount
41 under this subsection, the retailer shall register with the department as a
42 solar energy retailer. By registering, the retailer acknowledges that it
43 will make its books and records relating to sales of solar energy devices
44 available to the department for examination.

1 P. In computing the tax base in the case of the sale or transfer of
2 wireless telecommunications equipment as an inducement to a customer to enter
3 into or continue a contract for telecommunications services that are taxable
4 under section 42-5064, gross proceeds of sales or gross income does not
5 include any sales commissions or other compensation received by the retailer
6 as a result of the customer entering into or continuing a contract for the
7 telecommunications services.

8 Q. For the purposes of this section, a sale of wireless
9 telecommunications equipment to a person who holds the equipment for sale or
10 transfer to a customer as an inducement to enter into or continue a contract
11 for telecommunications services that are taxable under section 42-5064 is
12 considered to be a sale for resale in the regular course of business.

13 R. Retail sales of prepaid calling cards or prepaid authorization
14 numbers for telecommunications services, including sales of reauthorization
15 of a prepaid card or authorization number, are subject to tax under this
16 section.

17 S. For the purposes of this section, the diversion of gas from a
18 pipeline by a person engaged in the business of operating a natural or
19 artificial gas pipeline, for the sole purpose of fueling compressor equipment
20 to pressurize the pipeline, is not a sale of the gas to the operator of the
21 pipeline.

22 T. If a seller is entitled to a deduction pursuant to subsection B,
23 paragraph 16, subdivision (b) of this section, the department may require the
24 purchaser to establish that the requirements of subsection B, paragraph 16,
25 subdivision (b) of this section have been satisfied. If the purchaser cannot
26 establish that the requirements of subsection B, paragraph 16, subdivision
27 (b) of this section have been satisfied, the purchaser is liable in an amount
28 equal to any tax, penalty and interest which the seller would have been
29 required to pay under article 1 of this chapter if the seller had not made
30 a deduction pursuant to subsection B, paragraph 16, subdivision (b) of this
31 section. Payment of the amount under this subsection exempts the purchaser
32 from liability for any tax imposed under article 4 of this chapter and
33 related to the tangible personal property purchased. The amount shall be
34 treated as transaction privilege tax to the purchaser and as tax revenues
35 collected from the seller to designate the distribution base pursuant to
36 section 42-5029.

37 U. For purposes of section 42-5032.01, the department shall separately
38 account for revenues collected under the retail classification from
39 businesses selling tangible personal property at retail:

40 1. On the premises of a multipurpose facility that is owned, leased
41 or operated by the tourism and sports authority pursuant to title 5,
42 chapter 8.

43 2. At professional football contests that are held in a stadium
44 located on the campus of an institution under the jurisdiction of the Arizona
45 board of regents.

V. For the purposes of this section:

1. "Aircraft" includes:

(a) An airplane flight simulator that is approved by the federal aviation administration for use as a phase II or higher flight simulator under appendix H, 14 Code of Federal Regulations part 121.

(b) Tangible personal property that is permanently affixed or attached as a component part of an aircraft that is owned or operated by a certificated or licensed carrier of persons or property.

2. "Other accessories and related equipment" includes aircraft accessories and equipment such as ground service equipment that physically contact aircraft at some point during the overall carrier operation.

3. "Selling at retail" means a sale for any purpose other than for resale in the regular course of business in the form of tangible personal property, but transfer of possession, lease and rental as used in the definition of sale mean only such transactions as are found on investigation to be in lieu of sales as defined without the words lease or rental.

W. For purposes of subsection K of this section:

1. "Assembler" means a person who unites or combines products, wares or articles of manufacture so as to produce a change in form or substance without changing or altering the component parts.

2. "Manufacturer" means a person who is principally engaged in the fabrication, production or manufacture of products, wares or articles for use from raw or prepared materials, imparting to those materials new forms, qualities, properties and combinations.

3. "Modifier" means a person who reworks, changes or adds to products, wares or articles of manufacture.

4. "Overhead materials" means tangible personal property, the gross proceeds of sales or gross income derived from which would otherwise be included in the retail classification, and which are used or consumed in the performance of a contract, the cost of which is charged to an overhead expense account and allocated to various contracts based upon generally accepted accounting principles and consistent with government contract accounting standards.

5. "Repairer" means a person who restores or renews products, wares or articles of manufacture.

6. "Subcontract" means an agreement between a contractor and any person who is not an employee of the contractor for furnishing of supplies or services that, in whole or in part, are necessary to the performance of one or more government contracts, or under which any portion of the contractor's obligation under one or more government contracts is performed, undertaken or assumed and that includes provisions causing title to overhead materials or other tangible personal property used in the performance of the subcontract to pass to the government or that includes provisions incorporating such title passing clauses in a government contract into the subcontract.

1 Sec. 15. Section 42-5064, Arizona Revised Statutes, is amended to
2 read:

3 42-5064. Telecommunications classification; definitions

4 A. The telecommunications classification is comprised of the business
5 of providing intrastate telecommunications services. The telecommunications
6 company classification does not include:

7 1. Sales of intrastate telecommunications services by a cable
8 television system as defined in section 9-505 or by a microwave television
9 transmission system that transmits television programming to multiple
10 subscribers and that is operated pursuant to 47 Code of Federal Regulations
11 parts 21 and 74.

12 2. Sales of internet access services to the person's subscribers and
13 customers.

14 B. The tax base for the telecommunications classification is the gross
15 proceeds of sales or gross income derived from the business, including the
16 gross income derived from tolls, subscriptions and services on behalf of
17 subscribers or from the publication of a directory of the names of
18 subscribers. However, the gross proceeds of sales or gross income derived
19 from the following shall be deducted from the tax base:

20 1. Sales of intrastate telecommunications services to:

21 (a) Other persons engaged in businesses classified under the
22 telecommunications classification for use in such business.

23 (b) A direct broadcast satellite television or data transmission
24 service that operates pursuant to 47 Code of Federal Regulations parts 25 and
25 100 for use in its direct broadcast satellite television or data transmission
26 operation by a facility described in section 42-5061, subsection B, paragraph
27 16, subdivision (b).

28 2. End user common line charges established by federal communications
29 commission regulations (47 Code of Federal Regulations section 69.104(a)).

30 3. Carrier access charges established by federal communications
31 commission regulations (47 Code of Federal Regulations sections 69.105(a)
32 through 69.118).

33 4. Sales of direct broadcast satellite television services pursuant
34 to 47 Code of Federal Regulations parts 25 and 100 by a direct broadcast
35 satellite television service that operates pursuant to 47 Code of Federal
36 Regulations parts 25 and 100.

37 5. Telecommunications services purchased with a prepaid calling card,
38 or a prepaid authorization number for telecommunications services, that is
39 taxable under section 42-5061.

40 C. For purposes of this section:

41 1. "Internet" means the computer and telecommunications facilities
42 that comprise the interconnected worldwide network of networks that employ
43 the transmission control protocol or internet protocol, or any predecessor
44 or successor protocol, to communicate information of all kinds by wire or
45 radio.

1 2. "Internet access" means a service that enables users to access
2 content, information, electronic mail or other services over the internet.
3 Internet access does not include telecommunications services provided by a
4 common carrier.

5 3. "Intrastate telecommunications services" means transmitting signs,
6 signals, writings, images, sounds, messages, data or other information of any
7 nature by wire, radio waves, light waves or other electromagnetic means if
8 the information transmitted originates and terminates in this state.

9 Sec. 16. Section 42-5071, Arizona Revised Statutes, is amended to
10 read:

11 42-5071. Personal property rental classification

12 A. The personal property rental classification is comprised of the
13 business of leasing or renting tangible personal property for a
14 consideration. The tax does not apply to:

15 1. Leasing or renting films, tapes or slides used by theaters or
16 movies, which are engaged in business under the amusement classification, or
17 used by television stations or radio stations.

18 2. Activities engaged in by the Arizona exposition and state fair
19 board or county fair commissions in connection with events sponsored by such
20 entities.

21 3. Leasing or renting tangible personal property by a parent
22 corporation to a subsidiary corporation or by a subsidiary corporation to
23 another subsidiary of the same parent corporation if taxes were paid under
24 this chapter on the gross proceeds or gross income accruing from the initial
25 sale of the tangible personal property. For purposes of this paragraph,
26 "subsidiary" means a corporation of which at least eighty per cent of the
27 voting shares are owned by the parent corporation.

28 4. Operating coin operated washing, drying and dry cleaning machines
29 or coin operated car washing machines at establishments for the use of such
30 machines.

31 5. Leasing or renting semitrailers manufactured in Arizona, as defined
32 in section 28-101, to a person who holds a United States department of
33 transportation number for use in interstate commerce.

34 6. Leasing or renting tangible personal property for incorporation
35 into or comprising any part of a qualified environmental technology facility
36 as described in section 41-1514.02. This paragraph shall apply for ten full
37 consecutive calendar or fiscal years following the initial lease or rental
38 by each qualified environmental technology manufacturer, producer or
39 processor.

40 7. Leasing or renting aircraft, flight simulators or similar training
41 equipment to students or staff by nonprofit, accredited educational
42 institutions that offer associate or baccalaureate degrees in aviation or
43 aerospace related fields.

1 8. Leasing or renting photographs, transparencies or other creative
2 works used by this state on internet web sites, in magazines or in other
3 publications that encourage tourism.

4 B. The tax base for the personal property rental classification is the
5 gross proceeds of sales or gross income derived from the business, but the
6 gross proceeds of sales or gross income derived from the following shall be
7 deducted from the tax base:

8 1. Reimbursements by the lessee to the lessor of a motor vehicle for
9 payments by the lessor of the applicable fees and taxes imposed by sections
10 28-2003, 28-2352, 28-2402, 28-2481 and 28-5801, title 28, chapter 15,
11 article 2 and article IX, section 11, Constitution of Arizona, to the extent
12 such amounts are separately identified as such fees and taxes and are billed
13 to the lessee.

14 2. Leases or rentals of tangible personal property which, if it had
15 been purchased instead of leased or rented by the lessee, would have been
16 exempt under:

17 (a) Section 42-5061, subsection A, paragraph 8, 9, 12, 13, or 25, 29
18 OR 51.

19 (b) Section 42-5061, subsection B, except that a lease or rental of
20 new machinery or equipment is not exempt pursuant to section 42-5061,
21 subsection B, paragraph 13 if the lease is for less than two years.

22 (c) Section 42-5061, subsection K, paragraph 1.

23 (d) Section 42-5061, subsection O.

24 ~~(e) Section 42-5061, subsection A, paragraph 51.~~

25 3. Motor vehicle fuel and use fuel that are subject to a tax imposed
26 under title 28, chapter 16, article 1, sales of use fuel to a holder of a
27 valid single trip use fuel tax permit issued under section 28-5739 and sales
28 of aviation fuel that are subject to the tax imposed under section 28-8344.

29 4. Leasing or renting a motor vehicle subject to and upon which the
30 fee has been paid under title 28, chapter 16, article 4.

31 C. Sales of tangible personal property to be leased or rented to a
32 person engaged in a business classified under the personal property rental
33 classification are deemed to be resale sales.

34 D. In computing the tax base, the gross proceeds of sales or gross
35 income from the lease or rental of a motor vehicle does not include any
36 amount attributable to the car rental surcharge under section 28-5810 or
37 48-4234.

38 E. Until December 31, 1988, leasing or renting animals for
39 recreational purposes is exempt from the tax imposed by this section.
40 Beginning January 1, 1989, the gross proceeds or gross income from leasing
41 or renting animals for recreational purposes is subject to taxation under
42 this section. Tax liabilities, penalties and interest paid for taxable
43 periods before January 1, 1989 shall not be refunded unless the taxpayer
44 requesting the refund provides proof satisfactory to the department that the
45 monies paid as taxes will be returned to the customer.

1 Sec. 17. Section 42-5156, Arizona Revised Statutes, is amended to
2 read:

3 42-5156. Tangible personal property provided under a service
4 contract or warranty; definition

5 A. The tax imposed by section 42-5155 shall be levied and collected
6 at an amount equal to five AND SIX-TENTHS per cent of the cost of the
7 tangible personal property provided under the conditions of a warranty or
8 service contract.

9 B. Every person storing, using or otherwise consuming in this state
10 tangible personal property provided under the conditions of a warranty or
11 service contract is liable for the tax. Such person's liability is not
12 extinguished until the tax has been paid to this state, except that a receipt
13 from a retailer maintaining a place of business in this state or from a
14 retailer who is authorized by the department to collect the tax, under such
15 rules as it may prescribe, and who is for the purposes of this article
16 regarded as a retailer maintaining a place of business in this state, given
17 to the purchaser in accordance with the provisions of section 42-5161 is
18 sufficient to relieve the purchaser from further liability for the tax
19 imposed upon the tangible personal property to which the receipt refers.

20 C. For the purpose of this section, "cost" means the cost of the
21 tangible personal property to the provider of the warranty or contract.

22 Sec. 18. Section 42-5159, Arizona Revised Statutes, as amended by Laws
23 2001, chapter 137, section 2, chapter 287, section 92 and chapter 314,
24 section 3, is amended to read:

25 42-5159. Exemptions

26 A. The tax levied by this article does not apply to the storage, use
27 or consumption in this state of the following described tangible personal
28 property:

29 1. Tangible personal property sold in this state, the gross receipts
30 from the sale of which are included in the measure of the tax imposed by
31 articles 1 and 2 of this chapter.

32 2. Tangible personal property the sale or use of which has already
33 been subjected to an excise tax at a rate equal to or exceeding the tax
34 imposed by this article under the laws of another state of the United States.
35 If the excise tax imposed by the other state is at a rate less than the tax
36 imposed by this article, the tax imposed by this article is reduced by the
37 amount of the tax already imposed by the other state.

38 3. Tangible personal property, the storage, use or consumption of
39 which the constitution or laws of the United States prohibit this state from
40 taxing OR TO THE EXTENT THAT THE RATE OR IMPOSITION OF TAX IS
41 UNCONSTITUTIONAL UNDER THE LAWS OF THE UNITED STATES.

42 4. Tangible personal property which directly enters into and becomes
43 an ingredient or component part of any manufactured, fabricated or processed
44 article, substance or commodity for sale in the regular course of business.

1 5. Motor vehicle fuel and use fuel, the sales, distribution or use of
2 which in this state is subject to the tax imposed under the provisions of
3 title 28, chapter 16, article 1, use fuel which is sold to or used by a
4 person holding a valid single trip use fuel tax permit issued under section
5 28-5739, aviation fuel, the sales, distribution or use of which in this state
6 is subject to the tax imposed under section 28-8344, and jet fuel, the sales,
7 distribution or use of which in this state is subject to the tax imposed
8 under article 8 of this chapter.

9 6. Tangible personal property brought into this state by an individual
10 who was a nonresident at the time the property was purchased for storage, use
11 or consumption by the individual if the first actual use or consumption of
12 the property was outside this state, unless the property is used in
13 conducting a business in this state.

14 7. Purchases of implants used as growth promotants and injectable
15 medicines, not already exempt under paragraph 16 of this subsection, for
16 livestock and poultry owned by, or in possession of, persons who are engaged
17 in producing livestock, poultry, or livestock or poultry products, or who are
18 engaged in feeding livestock or poultry commercially. For purposes of this
19 paragraph, "poultry" includes ratites.

20 8. Livestock, poultry, supplies, feed, salts, vitamins and other
21 additives for use or consumption in the businesses of farming, ranching and
22 feeding livestock or poultry, not including fertilizers, herbicides and
23 insecticides. For purposes of this paragraph, "poultry" includes ratites.

24 9. Seeds, seedlings, roots, bulbs, cuttings and other propagative
25 material for use in commercially producing agricultural, horticultural,
26 viticultural or floricultural crops in this state.

27 10. Tangible personal property not exceeding two hundred dollars in any
28 one month purchased by an individual at retail outside the continental limits
29 of the United States for the individual's own personal use and enjoyment.

30 11. Advertising supplements which are intended for sale with newspapers
31 published in this state and which have already been subjected to an excise
32 tax under the laws of another state in the United States which equals or
33 exceeds the tax imposed by this article.

34 12. Materials that are purchased by or for publicly funded libraries
35 including school district libraries, charter school libraries, community
36 college libraries, state university libraries or federal, state, county or
37 municipal libraries for use by the public as follows:

38 (a) Printed or photographic materials, beginning August 7, 1985.

39 (b) Electronic or digital media materials, beginning July 17, 1994.

40 13. Tangible personal property purchased by:

41 (a) A hospital organized and operated exclusively for charitable
42 purposes, no part of the net earnings of which inures to the benefit of any
43 private shareholder or individual.

44 (b) A hospital operated by this state or a political subdivision of
45 this state.

1 (c) A licensed nursing care institution or a licensed residential care
2 institution or a residential care facility operated in conjunction with a
3 licensed nursing care institution or a licensed kidney dialysis center, which
4 provides medical services, nursing services or health related services and
5 is not used or held for profit.

6 (d) A qualifying health care organization, as defined in section
7 42-5001, if the tangible personal property is used by the organization solely
8 to provide health and medical related educational and charitable services.

9 (e) A qualifying health care organization as defined in section
10 42-5001 if the organization is dedicated to providing educational,
11 therapeutic, rehabilitative and family medical education training for blind,
12 visually impaired and multihandicapped children from the time of birth to age
13 twenty-one.

14 (f) A nonprofit charitable organization that has qualified under
15 section 501(c)(3) of the United States internal revenue code and that engages
16 in and uses such property exclusively for training, job placement or
17 rehabilitation programs or testing for mentally or physically handicapped
18 persons.

19 (g) A person that is subject to tax under article 1 of this chapter
20 by reason of being engaged in business classified under the prime contracting
21 classification under section 42-5075, or a subcontractor working under the
22 control of a prime contractor, if the tangible personal property is any of
23 the following:

24 (i) Incorporated or fabricated by the contractor into a structure,
25 project, development or improvement in fulfillment of a contract.

26 (ii) Used in environmental response or remediation activities under
27 section 42-5075, subsection B, paragraph 6.

28 (iii) Incorporated or fabricated by the person into any lake facility
29 development in a commercial enhancement reuse district under conditions
30 prescribed for the deduction allowed by section 42-5075, subsection B,
31 paragraph 8.

32 (h) A nonprofit charitable organization that has qualified under
33 section 501(c)(3) of the internal revenue code if the property is purchased
34 from the parent or an affiliate organization that is located outside this
35 state.

36 (i) A qualifying community health center as defined in section
37 42-5001.

38 (j) A nonprofit charitable organization that has qualified under
39 section 501(c)(3) of the internal revenue code and that regularly serves
40 meals to the needy and indigent on a continuing basis at no cost.

41 (k) A person engaged in business under the transient lodging
42 classification if the property is a personal hygiene product ITEM or articles
43 used by human beings for food, drink or condiment, except alcoholic
44 beverages, which are furnished without additional charge to and intended to
45 be consumed by the transient during the transient's occupancy.

1 (1) For taxable periods beginning from and after June 30, 2001, a
2 nonprofit charitable organization that has qualified under section 501(c)(3)
3 of the internal revenue code and that provides residential apartment housing
4 for low income persons over sixty-two years of age in a facility that
5 qualifies for a federal housing subsidy, if the tangible personal property
6 is used by the organization solely to provide residential apartment housing
7 for low income persons over sixty-two years of age in a facility that
8 qualifies for a federal housing subsidy.

9 14. Commodities, as defined by title 7 United States Code section 2,
10 that are consigned for resale in a warehouse in this state in or from which
11 the commodity is deliverable on a contract for future delivery subject to the
12 rules of a commodity market regulated by the United States commodity futures
13 trading commission.

14 15. Tangible personal property sold by:

15 (a) Any nonprofit organization organized and operated exclusively for
16 charitable purposes and recognized by the United States internal revenue
17 service under section 501(c)(3) of the internal revenue code.

18 (b) A nonprofit organization that is exempt from taxation under
19 section 501(c)(3) or 501(c)(6) of the internal revenue code if the
20 organization is associated with a major league baseball team or a national
21 touring professional golfing association and no part of the organization's
22 net earnings inures to the benefit of any private shareholder or individual.

23 (c) A nonprofit organization that is exempt from taxation under
24 section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the
25 internal revenue code if the organization sponsors or operates a rodeo
26 featuring primarily farm and ranch animals and no part of the organization's
27 net earnings inures to the benefit of any private shareholder or individual.

28 16. Drugs and medical oxygen, including delivery hose, mask or tent,
29 regulator and tank, on the prescription of a member of the medical, dental
30 or veterinarian profession who is licensed by law to administer such
31 substances.

32 17. Prosthetic appliances, as defined in section 23-501, prescribed or
33 recommended by a person who is licensed, registered or otherwise
34 professionally credentialed as a physician, dentist, podiatrist,
35 chiropractor, naturopath, homeopath, nurse or optometrist.

36 18. Prescription eyeglasses and contact lenses.

37 19. Insulin, insulin syringes and glucose test strips.

38 20. Hearing aids as defined in section 36-1901.

39 21. Durable medical equipment which has a ~~federal health care financing~~
40 ~~administration~~ CENTERS FOR MEDICARE AND MEDICAID SERVICES common procedure
41 code, is designated reimbursable by medicare, is prescribed by a person who
42 is licensed under title 32, chapter 7, 13, 17 or 29, can withstand repeated
43 use, is primarily and customarily used to serve a medical purpose, is
44 generally not useful to a person in the absence of illness or injury and is
45 appropriate for use in the home.

1 22. Food, as provided in and subject to the conditions of article 3 of
2 this chapter and section 42-5074.

3 23. Items purchased with United States department of agriculture food
4 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.
5 958) or food instruments issued under section 17 of the child nutrition act
6 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code
7 section 1786).

8 24. Food and drink provided without monetary charge by a taxpayer which
9 is subject to section 42-5074 to its employees for their own consumption on
10 the premises during the employees' hours of employment.

11 25. Tangible personal property that is used or consumed in a business
12 subject to section 42-5074 for human food, drink or condiment, whether
13 simple, mixed or compounded.

14 26. Food, drink or condiment and accessory tangible personal property
15 if they are to be prepared and served to persons for consumption on the
16 premises of a public school in a school district during school hours.

17 27. Lottery tickets or shares purchased pursuant to title 5, chapter
18 5, article 1.

19 28. Textbooks, sold by a bookstore, that are required by any state
20 university or community college.

21 29. Magazines, other periodicals or other publications produced by this
22 state to encourage tourist travel.

23 30. Paper machine clothing, such as forming fabrics and dryer felts,
24 purchased by a paper manufacturer and directly used or consumed in paper
25 manufacturing.

26 31. Coal, petroleum, coke, natural gas, virgin fuel oil and electricity
27 purchased by a qualified environmental technology manufacturer, producer or
28 processor as defined in section 41-1514.02 and directly used or consumed in
29 the generation or provision of on-site power or energy solely for
30 environmental technology manufacturing, producing or processing or
31 environmental protection. This paragraph shall apply for fifteen full
32 consecutive calendar or fiscal years from the date the first paper
33 manufacturing machine is placed in service. In the case of an environmental
34 technology manufacturer, producer or processor who does not manufacture
35 paper, the time period shall begin with the date the first manufacturing,
36 processing or production equipment is placed in service.

37 32. Motor vehicles that are removed from inventory by a motor vehicle
38 dealer as defined in section 28-4301 and that are provided to:

39 (a) Charitable or educational institutions that are exempt from
40 taxation under section 501(c)(3) of the internal revenue code.

41 (b) Public educational institutions.

42 (c) State universities or affiliated organizations of a state
43 university if no part of the organization's net earnings inures to the
44 benefit of any private shareholder or individual.

1 33. Natural gas or liquefied petroleum gas used to propel a motor
2 vehicle.

3 34. Machinery, equipment, technology or related supplies that are only
4 useful to assist a person who is physically disabled as defined in section
5 46-191, has a developmental disability as defined in section 36-551 or has
6 a head injury as defined in section 41-3201 to be more independent and
7 functional.

8 35. Liquid, solid or gaseous chemicals used in manufacturing,
9 processing, fabricating, mining, refining, metallurgical operations, research
10 and development and, beginning on January 1, 1999, printing, if using or
11 consuming the chemicals, alone or as part of an integrated system of
12 chemicals, involves direct contact with the materials from which the product
13 is produced for the purpose of causing or permitting a chemical or physical
14 change to occur in the materials as part of the production process. This
15 paragraph does not include chemicals that are used or consumed in activities
16 such as packaging, storage or transportation but does not affect any
17 exemption for such chemicals that is otherwise provided by this section. For
18 purposes of this paragraph "printing" means a commercial printing operation
19 and includes job printing, engraving, embossing, copying and bookbinding.

20 36. Food, drink and condiment purchased for consumption within the
21 premises of any prison, jail or other institution under the jurisdiction of
22 the state department of corrections, the department of public safety, the
23 department of juvenile corrections or a county sheriff.

24 37. A motor vehicle and any repair and replacement parts and tangible
25 personal property becoming a part of such motor vehicle sold to a motor
26 carrier who is subject to a fee prescribed in title 28, chapter 16, article
27 4 and who is engaged in the business of leasing or renting such property.

28 38. Tangible personal property which is or directly enters into and
29 becomes an ingredient or component part of cards used as prescription plan
30 identification cards.

31 39. Overhead materials or other tangible personal property that is used
32 in performing a contract between the United States government and a
33 manufacturer, modifier, assembler or repairer, including property used in
34 performing a subcontract with a government contractor who is a manufacturer,
35 modifier, assembler or repairer, to which title passes to the government
36 under the terms of the contract or subcontract. For purposes of this
37 paragraph:

38 (a) "Overhead materials" means tangible personal property, the gross
39 proceeds of sales or gross income derived from which would otherwise be
40 included in the retail classification, and which are used or consumed in the
41 performance of a contract, the cost of which is charged to an overhead
42 expense account and allocated to various contracts based upon generally
43 accepted accounting principles and consistent with government contract
44 accounting standards.

1 (b) "Subcontract" means an agreement between a contractor and any
2 person who is not an employee of the contractor for furnishing of supplies
3 or services that, in whole or in part, are necessary to the performance of
4 one or more government contracts, or under which any portion of the
5 contractor's obligation under one or more government contracts is performed,
6 undertaken or assumed, and that includes provisions causing title to overhead
7 materials or other tangible personal property used in the performance of the
8 subcontract to pass to the government or that includes provisions
9 incorporating such title passing clauses in a government contract into the
10 subcontract.

11 40. Through December 31, 1994, tangible personal property sold pursuant
12 to a personal property liquidation transaction, as defined in section
13 42-5061. From and after December 31, 1994, tangible personal property sold
14 pursuant to a personal property liquidation transaction, as defined in
15 section 42-5061, if the gross proceeds of the sales were included in the
16 measure of the tax imposed by article 1 of this chapter or if the personal
17 property liquidation was a casual activity or transaction.

18 41. Wireless telecommunications equipment that is held for sale or
19 transfer to a customer as an inducement to enter into or continue a contract
20 for telecommunications services that are taxable under section 42-5064.

21 42. Alternative fuel, as defined in section 1-215, purchased by a used
22 oil fuel burner who has received a permit to burn used oil or used oil fuel
23 under section 49-426 or 49-480.

24 43. Tangible personal property purchased by a commercial airline and
25 consisting of food, beverages and condiments and accessories used for serving
26 the food and beverages, if those items are to be provided without additional
27 charge to passengers for consumption in flight. For purposes of this
28 paragraph, "commercial airline" means a person holding a federal certificate
29 of public convenience and necessity or foreign air carrier permit for air
30 transportation to transport persons, property or United States mail in
31 intrastate, interstate or foreign commerce.

32 44. Alternative fuel vehicles, as defined in section 43-1086, if the
33 vehicle was manufactured as a diesel fuel vehicle and converted to operate
34 on alternative fuel and equipment that is installed in a conventional diesel
35 fuel motor vehicle to convert the vehicle to operate on an alternative fuel,
36 as defined in section 1-215.

37 45. Gas diverted from a pipeline, by a person engaged in the business
38 of operating a natural or artificial gas pipeline, and used or consumed for
39 the sole purpose of fueling compressor equipment that pressurizes the
40 pipeline.

41 46. Tangible personal property that is excluded, exempt or deductible
42 from transaction privilege tax pursuant to section 42-5063.

43 47. Tangible personal property purchased to be incorporated or
44 installed as part of environmental response or remediation activities under
45 section 42-5075, subsection B, paragraph 6.

1 48. Sales—of Tangible personal property SOLD by a nonprofit
2 organization that is exempt from taxation under section 501(c)(6) of the
3 internal revenue code if the organization produces, organizes or promotes
4 cultural or civic related festivals or events and no part of the
5 organization's net earnings inures to the benefit of any private shareholder
6 or individual.

7 8. In addition to the exemptions allowed by subsection A of this
8 section, the following categories of tangible personal property are also
9 exempt:

10 1. Machinery, or equipment, used directly in manufacturing,
11 processing, fabricating, job printing, refining or metallurgical operations.
12 The terms "manufacturing", "processing", "fabricating", "job printing",
13 "refining" and "metallurgical" as used in this paragraph refer to and include
14 those operations commonly understood within their ordinary meaning.
15 "Metallurgical operations" includes leaching, milling, precipitating,
16 smelting and refining.

17 2. Machinery, or equipment, used directly in the process of extracting
18 ores or minerals from the earth for commercial purposes, including equipment
19 required to prepare the materials for extraction and handling, loading or
20 transporting such extracted material to the surface. "Mining" includes
21 underground, surface and open pit operations for extracting ores and
22 minerals.

23 3. Tangible personal property sold to persons engaged in business
24 classified under the telecommunications classification under section 42-5064
25 and consisting of central office switching equipment, switchboards, private
26 branch exchange equipment, microwave radio equipment and carrier equipment
27 including optical fiber, coaxial cable and other transmission media which are
28 components of carrier systems.

29 4. Machinery, equipment or transmission lines used directly in
30 producing or transmitting electrical power, but not including distribution.
31 Transformers and control equipment used at transmission substation sites
32 constitute equipment used in producing or transmitting electrical power.

33 5. Neat animals, horses, asses, sheep, ratites, swine or goats used
34 or to be used as breeding or production stock, including sales of breedings
35 or ownership shares in such animals used for breeding or production.

36 6. Pipes or valves four inches in diameter or larger used to transport
37 oil, natural gas, artificial gas, water or coal slurry, including compressor
38 units, regulators, machinery and equipment, fittings, seals and any other
39 part that is used in operating the pipes or valves.

40 7. Aircraft, navigational and communication instruments and other
41 accessories and related equipment sold to:

42 (a) A person holding a federal certificate of public convenience and
43 necessity, a supplemental air carrier certificate under federal aviation
44 regulations (14 Code of Federal Regulations part 121) or a foreign air
45 carrier permit for air transportation for use as or in conjunction with or

1 becoming a part of aircraft to be used to transport persons, property or
2 United States mail in intrastate, interstate or foreign commerce.

3 (b) Any foreign government for use by such government outside of this
4 state, or sold to persons who are not residents of this state and who will
5 not use such property in this state other than in removing such property from
6 this state.

7 8. Machinery, tools, equipment and related supplies used or consumed
8 directly in repairing, remodeling or maintaining aircraft, aircraft engines
9 or aircraft component parts by or on behalf of a certificated or licensed
10 carrier of persons or property.

11 9. Rolling stock, rails, ties and signal control equipment used
12 directly to transport persons or property.

13 10. Machinery or equipment used directly to drill for oil or gas or
14 used directly in the process of extracting oil or gas from the earth for
15 commercial purposes.

16 11. Buses or other urban mass transit vehicles which are used directly
17 to transport persons or property for hire or pursuant to a governmentally
18 adopted and controlled urban mass transportation program and which are sold
19 to bus companies holding a federal certificate of convenience and necessity
20 or operated by any city, town or other governmental entity or by any person
21 contracting with such governmental entity as part of a governmentally adopted
22 and controlled program to provide urban mass transportation.

23 12. Groundwater measuring devices required under section 45-604.

24 13. New machinery and equipment consisting of tractors, tractor-drawn
25 implements, self-powered implements, machinery and equipment ~~that are~~
26 necessary for extracting milk, and MACHINERY AND EQUIPMENT NECESSARY for
27 cooling milk and livestock, and drip irrigation lines not already exempt
28 under paragraph 6 of this subsection and THAT ARE used for commercial
29 production of agricultural, horticultural, viticultural and floricultural
30 crops and products in this state. In this paragraph:

31 (a) "New machinery and equipment" means machinery or equipment which
32 has never been sold at retail except pursuant to leases or rentals which do
33 not total two years or more.

34 (b) "Self-powered implements" includes machinery and equipment that
35 are electric-powered.

36 14. Machinery or equipment used in research and development. In this
37 paragraph, "research and development" means basic and applied research in the
38 sciences and engineering, and designing, developing or testing prototypes,
39 processes or new products, including research and development of computer
40 software that is embedded in or an integral part of the prototype or new
41 product or that is required for machinery or equipment otherwise exempt under
42 this section to function effectively. Research and development do not
43 include manufacturing quality control, routine consumer product testing,
44 market research, sales promotion, sales service, research in social sciences
45 or psychology, computer software research that is not included in the

1 definition of research and development, or other nontechnological activities
2 or technical services.

3 15. Machinery and equipment that are purchased by or on behalf of the
4 owners of a soundstage complex and primarily used for motion picture,
5 multimedia or interactive video production in the complex. This paragraph
6 applies only if the initial construction of the soundstage complex begins
7 after June 30, 1996 and before January 1, 2002 and the machinery and
8 equipment are purchased before the expiration of five years after the start
9 of initial construction. For purposes of this paragraph:

10 (a) "Motion picture, multimedia or interactive video production"
11 includes products for theatrical and television release, educational
12 presentations, electronic retailing, documentaries, music videos, industrial
13 films, CD-ROM, video game production, commercial advertising and television
14 episode production and other genres that are introduced through developing
15 technology.

16 (b) "Soundstage complex" means a facility of multiple stages including
17 production offices, construction shops and related areas, prop and costume
18 shops, storage areas, parking for production vehicles and areas that are
19 leased to businesses that complement the production needs and orientation of
20 the overall facility.

21 16. Tangible personal property that is used by either of the following
22 to receive, store, convert, produce, generate, decode, encode, control or
23 transmit telecommunications information:

24 (a) Any direct broadcast satellite television or data transmission
25 service that operates pursuant to 47 Code of Federal Regulations parts 25 and
26 100.

27 (b) Any satellite television or data transmission facility, if both
28 of the following conditions are met:

29 (i) Over two-thirds of the transmissions, measured in megabytes,
30 transmitted by the facility during the test period were transmitted to or on
31 behalf of one or more direct broadcast satellite television or data
32 transmission services that operate pursuant to 47 Code of Federal Regulations
33 parts 25 and 100.

34 (ii) Over two-thirds of the transmissions, measured in megabytes,
35 transmitted by or on behalf of those direct broadcast television or data
36 transmission services during the test period were transmitted by the facility
37 to or on behalf of those services.

38 For purposes of subdivision (b) of this paragraph, "test period" means the
39 three hundred sixty-five day period beginning on the later of the date on
40 which the tangible personal property is purchased or the date on which the
41 direct broadcast satellite television or data transmission service first
42 transmits information to its customers.

43 17. Clean rooms that are used for manufacturing, processing,
44 fabrication or research and development, as defined in paragraph 14 of this
45 subsection, of semiconductor products. For purposes of this paragraph,

1 "clean room" means all property that comprises or creates an environment
2 where humidity, temperature, particulate matter and contamination are
3 precisely controlled within specified parameters, without regard to whether
4 the property is actually contained within that environment or whether any of
5 the property is affixed to or incorporated into real property. Clean room:

6 (a) Includes the integrated systems, fixtures, piping, movable
7 partitions, lighting and all property that is necessary or adapted to reduce
8 contamination or to control airflow, temperature, humidity, chemical purity
9 or other environmental conditions or manufacturing tolerances, as well as the
10 production machinery and equipment operating in conjunction with the clean
11 room environment.

12 (b) Does not include the building or other permanent, nonremovable
13 component of the building that houses the clean room environment.

14 18. Machinery and equipment that are used directly in the feeding of
15 poultry, the environmental control of housing for poultry, the movement of
16 eggs within a production and packaging facility or the sorting or cooling of
17 eggs. This exemption does not apply to vehicles used for transporting eggs.

18 19. Machinery or equipment, including related structural components,
19 that is employed in connection with manufacturing, processing, fabricating,
20 job printing, refining, mining, natural gas pipelines, metallurgical
21 operations, telecommunications, producing or transmitting electricity or
22 research and development and that is used directly to meet or exceed rules
23 or regulations adopted by the federal energy regulatory commission, the
24 United States environmental protection agency, the United States nuclear
25 regulatory commission, the Arizona department of environmental quality or a
26 political subdivision of this state to prevent, monitor, control or reduce
27 land, water or air pollution.

28 20. Machinery and equipment that are used in the commercial production
29 of livestock, livestock products or agricultural, horticultural, viticultural
30 or floricultural crops or products in this state and that are used directly
31 and primarily to prevent, monitor, control or reduce air, water or land
32 pollution.

33 21. Machinery or equipment that enables a television station to
34 originate and broadcast or to receive and broadcast digital television
35 signals and that was purchased to facilitate compliance with the
36 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United States
37 Code section 336) and the federal communications commission order issued
38 April 21, 1997 (47 Code of Federal Regulations part 73). This paragraph does
39 not exempt any of the following:

40 (a) Repair or replacement parts purchased for the machinery or
41 equipment described in this paragraph.

42 (b) Machinery or equipment purchased to replace machinery or equipment
43 for which an exemption was previously claimed and taken under this paragraph.

1 (c) Any machinery or equipment purchased after the television station
2 has ceased analog broadcasting, or purchased after November 1, 2009,
3 whichever occurs first.

4 C. The exemptions provided by subsection B of this section do not
5 include:

6 1. Expendable materials. For purposes of this paragraph, expendable
7 materials do not include any of the categories of tangible personal property
8 specified in subsection B of this section regardless of the cost or useful
9 life of that property.

10 2. Janitorial equipment and hand tools.

11 3. Office equipment, furniture and supplies.

12 4. Tangible personal property used in selling or distributing
13 activities, other than the telecommunications transmissions described in
14 subsection B, paragraph 16 of this section.

15 5. Motor vehicles required to be licensed by this state, except buses
16 or other urban mass transit vehicles specifically exempted pursuant to
17 subsection B, paragraph 11 of this section, without regard to the use of such
18 motor vehicles.

19 6. Shops, buildings, docks, depots and all other materials of whatever
20 kind or character not specifically included as exempt.

21 7. Motors and pumps used in drip irrigation systems.

22 D. The following shall be deducted in computing the purchase price of
23 electricity by a retail electric customer from a utility business:

24 1. Revenues received from sales of ancillary services, electric
25 distribution services, electric generation services, electric transmission
26 services and other services related to providing electricity to a retail
27 electric customer who is located outside this state for use outside this
28 state if the electricity is delivered to a point of sale outside this state.

29 2. Revenues received from providing electricity, including ancillary
30 services, electric distribution services, electric generation services,
31 electric transmission services and other services related to providing
32 electricity with respect to which the transaction privilege tax imposed under
33 section 42-5063 has been paid.

34 E. The tax levied by this article does not apply to:

35 1. The storage, use or consumption in Arizona of machinery, equipment,
36 materials or other tangible personal property if used directly and
37 predominantly to construct a qualified environmental technology
38 manufacturing, producing or processing facility, as described in section
39 41-1514.02. This paragraph applies for ten full consecutive calendar or
40 fiscal years after the start of initial construction.

41 2. The purchase of electricity by a qualified environmental technology
42 manufacturer, producer or processor as defined in section 41-1514.02 that is
43 used directly in environmental technology manufacturing, producing or
44 processing. This paragraph shall apply for fifteen full consecutive calendar
45 or fiscal years from the date the first paper manufacturing machine is placed

1 in service. In the case of an environmental technology manufacturer,
2 producer or processor who does not manufacture paper, the time period shall
3 begin with the date the first manufacturing, processing or production
4 equipment is placed in service.

5 F. The following shall be deducted in computing the purchase price of
6 electricity by a retail electric customer from a utility business:

7 1. Fees charged by a municipally owned utility to persons constructing
8 residential, commercial or industrial developments or connecting residential,
9 commercial or industrial developments to a municipal utility system or
10 systems if the fees are segregated and used only for capital expansion,
11 system enlargement or debt service of the utility system or systems.

12 2. Reimbursement or contribution compensation to any person or persons
13 owning a utility system for property and equipment installed to provide
14 utility access to, on or across the land of an actual utility consumer if the
15 property and equipment become the property of the utility. This deduction
16 shall not exceed the value of such property and equipment.

17 G. For the purposes of subsection B of this section:

18 1. "Aircraft" includes:

19 (a) An airplane flight simulator that is approved by the federal
20 aviation administration for use as a phase II or higher flight simulator
21 under appendix H, 14 Code of Federal Regulations part 121.

22 (b) Tangible personal property that is permanently affixed or attached
23 as a component part of an aircraft that is owned or operated by a
24 certificated or licensed carrier of persons or property.

25 2. "Other accessories and related equipment" includes aircraft
26 accessories and equipment such as ground service equipment that physically
27 contact aircraft at some point during the overall carrier operation.

28 H. For purposes of subsection D of this section, "ancillary services",
29 "electric distribution service", "electric generation service", "electric
30 transmission service" and "other services" have the same meanings prescribed
31 by section 42-5063.

32 Sec. 19. Repeal

33 Section 42-5159, Arizona Revised Statutes, as amended by Laws 2001,
34 chapter 115, section 14, is repealed.

35 Sec. 20. Section 42-5160, Arizona Revised Statutes, is amended to
36 read:

37 42-5160. Liability for tax

38 Any person who uses, stores or consumes any tangible personal property
39 upon which a tax is imposed by this article and upon which the tax has not
40 been collected by a registered retailer OR UTILITY BUSINESS shall pay the tax
41 as provided by this article, but every retailer OR UTILITY BUSINESS
42 maintaining a place of business in this state and making sales of tangible
43 personal property for storage, use or other consumption in this state, unless
44 exempt by the provisions of this article, shall at the time of making the
45 sales collect the tax from the purchaser or user.

1 Sec. 21. Section 42-6001, Arizona Revised Statutes, is amended to
2 read:

3 42-6001. Collection and administration of transaction privilege
4 tax and affiliated excise taxes; coordinated
5 licensing, collection and audit functions

6 A. The department may collect and administer any transaction privilege
7 ~~license tax or use tax~~ AND AFFILIATED EXCISE TAXES, INCLUDING USE TAX,
8 SEVERANCE TAX, JET FUEL EXCISE AND USE TAX, AND RENTAL OCCUPANCY TAX, imposed
9 by any city or town, and the department and any city or town may enter into
10 intergovernmental contracts or agreements to provide a uniform method of
11 administration, collection, audit and licensing of transaction privilege
12 ~~license taxes and use~~ AND AFFILIATED EXCISE taxes imposed by the state or
13 cities or towns pursuant to title 11, chapter 7, article 3.

14 B. The director may enter into agreements with cities and towns of
15 this state which levy transaction privilege AND AFFILIATED EXCISE taxes to
16 provide for unified or coordinated licensing, collection and auditing
17 programs for such taxes levied by cities and towns and taxes levied pursuant
18 to chapter 5 of this title. Such cities and towns may enter into agreements
19 with the department to provide for unified or coordinated licensing,
20 collection and auditing programs for such transaction privilege AND
21 AFFILIATED EXCISE taxes levied by such cities and towns and for taxes levied
22 pursuant to chapter 5 of this title.

23 C. The director shall establish with such cities and towns a uniform
24 licensing, collection and audit committee to direct such unified or
25 coordinated functions.

26 Sec. 22. Section 42-6002, Arizona Revised Statutes, is amended to
27 read:

28 42-6002. Procedures for collection and enforcement applicable
29 to cities and towns

30 The procedures for levy, collection and enforcement of payment of
31 transaction privilege taxes AND AFFILIATED EXCISE TAXES, INCLUDING USE TAX,
32 SEVERANCE TAX, JET FUEL EXCISE AND USE TAX, AND RENTAL OCCUPANCY TAX, levied
33 by a city or town by such city or town shall be in the same manner as
34 authorized by chapter 5 of this title unless otherwise provided by the
35 ordinance of such city or town. The department, when acting on behalf of a
36 city or town in levying and collecting transaction privilege AND AFFILIATED
37 taxes for such city or town, shall utilize the procedures for levying,
38 collecting and enforcing the payment of such taxes on behalf of a city or
39 town.

40 Sec. 23. Section 42-11102, Arizona Revised Statutes, is amended to
41 read:

42 42-11102. Exemption for government property; application of
43 procedural provisions

44 A. Federal, state, county and municipal property is exempt from
45 taxation, including:

1 1. Property that is owned by a nonprofit organization but is used by
2 this state or a political subdivision during the entire tax year exclusively
3 for a governmental activity.

4 2. Property that is the subject of a lease-purchase agreement that is
5 authorized by law in which this state or a political subdivision is the
6 lessee-purchaser and the property is used by this state or a political
7 subdivision during the entire taxable year exclusively for a governmental
8 activity.

9 3. Improvements that are placed on public lands held under grazing
10 permits, the title to which passes to the federal government.

11 B. Article 4 of this chapter does not apply to the exemption from
12 taxation for federal, state, county and municipal property.

13 C. Notwithstanding subsection A of this section relating to state
14 property, property that is owned by the Arizona state retirement system, the
15 corrections officer retirement plan, the public safety personnel retirement
16 system or the elected officials' retirement plan, that is not used during the
17 entire taxable year exclusively for a governmental activity and that is
18 acquired either by foreclosure of an authorized investment or for the
19 purposes of producing income for the system or plan is subject to either a
20 government property lease tax under chapter 6, article 5 of this title or,
21 if a government property lease tax is not paid or is not economically
22 feasible, to voluntary contributions of money to the county, municipality,
23 school district, community college district and any other special taxing
24 district in which the property is located in lieu of taxes otherwise levied
25 by those entities. The system or plan may not continue to hold title to the
26 property as an authorized investment under title 38 unless a tax or voluntary
27 contribution is paid pursuant to this subsection. On or before April 1 of
28 each year the plan or system shall notify the county assessor of the county
29 in which the property is located whether a government property lease tax or
30 voluntary contribution will be paid. If a tax is not economically feasible,
31 the county assessor may require the plan or system to pay voluntary
32 contributions. If the system or plan pays a voluntary contribution:

33 1. The assessor shall determine the full cash value of the property
34 at market value and shall transmit that determination to the board of
35 supervisors on or before the third Monday in June.

36 2. On or before the third Monday FRIDAY in August SEPTEMBER the
37 assessor shall compute the contribution to be made based on the determined
38 valuation using the method of assessment applied in assessing ad valorem
39 taxes of properties of similar character and devoted to the same use in the
40 county for the current tax year.

41 3. The assessor shall:

42 (a) Submit the computation of the contribution to the board of
43 supervisors at the same time that the assessor submits the assessment roll.

44 (b) Notify the county school superintendent of the amount of the
45 contribution.

1 4. The plan or system shall pay one-half of the amount determined not
2 later than the first Monday in November and the other one-half not later than
3 the first Monday in May of the next year.

4 5. The county treasurer shall distribute the monies received to the
5 various taxing jurisdictions in the same manner as property taxes are
6 distributed.

7 6. Any person, public official or taxing entity that is not satisfied
8 by a determination under this subsection has the same remedies provided by
9 this title or may file a civil action to determine the correct amount due.
10 In any such action the only issue shall be the correctness of the computation
11 of the amount due.

12 Sec. 24. Section 42-11127, Arizona Revised Statutes, is amended to
13 read:

14 42-11127. Exemption for commercial and agricultural personal
15 property; definition

16 A. Pursuant to article IX, section 2, subsection (6), Constitution of
17 Arizona, personal property that is class two property pursuant to section
18 42-12002, paragraph 2, subdivisions (a) and (b) used for agricultural
19 purposes or that is class one property pursuant to section 42-12001 used in
20 a trade or business as described by section 42-12001, paragraphs 8, 9, 10,
21 12 THROUGH 11 and 13 is exempt from taxation up to a maximum amount of fifty
22 thousand dollars of full cash value of each assessment account.

23 B. The exemption under subsection A of this section is allowed for all
24 of the following one time each year, regardless of the number of business
25 locations or places where the person is leasing the property:

26 1. A person who owns business or agricultural personal property and
27 who is in the business of leasing the personal property in more than one
28 location in this state.

29 2. A person whose business personal property is valued by the
30 department and is classified as class one property as described by section
31 42-12001, paragraph 11.

32 3. Businesses that report equipment for which the leasing activity is
33 incidental to their primary business.

34 C. On or before December 31 of each year, the department shall
35 increase the maximum amount of the exemption for the following tax year based
36 on the average annual percentage increase, if any, in the GDP price deflator
37 for the two most recent complete state fiscal years.

38 D. For purposes of this section and article IX, section 2, subsection
39 (6), Constitution of Arizona, an assessment account is considered to be a
40 taxpayer.

41 E. In this section, "GDP price deflator" means the average of the four
42 implicit price deflators for the gross domestic product reported by the
43 United States department of commerce or its successor for the four quarters
44 of the state fiscal year.

1 Sec. 25. Section 42-11128, Arizona Revised Statutes, is amended to
2 read:

3 42-11128. Exemption for personal property in transit;
4 violation; classification

5 A. The following personal property has no situs in this state and is
6 exempt from taxation:

7 1. Personal property moving through this state to a final destination
8 outside this state.

9 2. Personal property consigned to a warehouse in this state from a
10 point outside this state for storage or assembly in transit to a final
11 destination outside this state.

12 B. Property that is claimed to have no situs in this state for the
13 purposes of taxation shall be entered in the records of the warehouse in
14 which it is located as property in transit or futures contract property. The
15 record shall include:

16 1. The date of receipt.

17 2. The date of withdrawal.

18 3. The point of origin.

19 4. The point of ultimate destination, if known.

20 C. The record of property shall be open at all times to inspection by
21 the department or the taxing authority of a political subdivision of this
22 state.

23 D. A person who files a claim for exemption of property in transit
24 shall do so on a form and in the manner the department prescribes and shall
25 include a certificate of the operator of the warehouse in which the property
26 is located stating that the property is entered in the warehouse records as
27 property in transit.

28 E. The owner or operator of a warehouse in or from which commodities
29 that are exempt under ~~subsection A, paragraph 3~~ SECTION 42-11122 are
30 deliverable shall file an affidavit with the county assessor between the
31 first Monday in January and March 1 of each year stating that the property
32 in the warehouse is futures contract property. The assessor may require
33 additional evidence of the facts stated by the affidavit, but when the
34 assessor accepts the affidavit as complete and correct, the commodities that
35 are stored or consigned in the warehouse are considered to be exempt from
36 taxation for the tax year under ~~subsection A, paragraph 3~~ SECTION 42-11122.

37 F. A person who knowingly makes a false statement in any document
38 submitted under this section to an officer who is charged with assessing
39 property for tax purposes is guilty of a class 6 felony.

40 Sec. 26. Section 42-11153, Arizona Revised Statutes, is amended to
41 read:

42 42-11153. Deadline for filing affidavit

43 A. Except as provided in section 42-11109, subsection B AND SECTION
44 42-11110, SUBSECTION B, a failure by a taxpayer who is entitled to an
45 exemption to make an affidavit or furnish evidence required by this article

1 between the first Monday in January and March 1 of each year constitutes a
2 waiver of the exemption.

3 B. If a widow, widower or disabled person whose property is exempt
4 from tax under section 42-11111, or an organization that is exempt from
5 federal income tax under section 501(c) of the internal revenue code and is
6 exempt from property tax under article 3 of this chapter, submits a petition
7 after the deadlines prescribed by subsection A of this section, the person
8 or organization may have the waiver redeemed by the county board of
9 supervisors at any regular meeting, except that no taxes that were due and
10 payable before the petition was submitted may be refunded or abated.

11 Sec. 27. Repeal

12 Sections 42-13103 and 42-13104, Arizona Revised Statutes, are repealed.

13 Sec. 28. Title 42, chapter 14, article 1, Arizona Revised Statutes,
14 is amended by adding section 42-14006, to read:

15 42-14006. Signatures for documents; alternative methods;
16 definition

17 THE DEPARTMENT MAY PRESCRIBE BY ADMINISTRATIVE RULE ALTERNATIVE METHODS
18 FOR SIGNING, SUBSCRIBING OR VERIFYING ANY REPORT OR STATEMENT REQUIRED TO BE
19 FILED WITH THE DEPARTMENT PURSUANT TO THIS ARTICLE THAT HAVE THE SAME
20 VALIDITY AND CONSEQUENCE AS THE ACTUAL SIGNATURE OR WRITTEN DECLARATION OF
21 THE TAXPAYER OR OTHER PERSON REQUIRED TO SIGN, SUBSCRIBE OR VERIFY THE
22 RETURN, STATEMENT OR OTHER DOCUMENT. WHILE THE DEPARTMENT IS ADOPTING A RULE
23 PRESCRIBING ALTERNATIVE METHODS FOR SIGNING, SUBSCRIBING OR VERIFYING ANY
24 REPORT OR STATEMENT REQUIRED TO BE FILED WITH THE DEPARTMENT PURSUANT TO THIS
25 ARTICLE, THE DIRECTOR, BY TAX RULING, MAY WAIVE THE REQUIREMENT OF A
26 SIGNATURE FOR A PARTICULAR TYPE OR CLASS OF ANY REPORT OR STATEMENT REQUIRED
27 TO BE FILED WITH THE DEPARTMENT PURSUANT TO THIS ARTICLE. FOR THE PURPOSES
28 OF THIS SUBSECTION, "TAX RULING" HAS THE SAME MEANING PRESCRIBED IN SECTION
29 42-2052.

30 Sec. 29. Section 42-14152, Arizona Revised Statutes, is amended to
31 read:

32 42-14152. Annual report for determining valuation; failure to
33 file; penalty; forfeiture of appeal rights

34 A. Except as provided by section 42-14155, on or before April 1 of
35 each year each company that is valued pursuant to this article shall file a
36 report with the department, under oath, stating the information that the
37 department requires to enable it to make a valuation of the company PROPERTY.
38 ON OR BEFORE FEBRUARY 1 OF EACH YEAR, THE DEPARTMENT SHALL MAIL TO EACH
39 COMPANY THE FORMS FOR FILING THE REPORT.

40 B. On written request and for good cause shown, the director may
41 extend the time for filing the report required by this section.

42 C. If a company fails to file the report on or before April 1 of the
43 valuation year, or the extended due date if an extension is granted, the
44 department shall:

1 1. Estimate the value of the property based on one hundred five per
2 cent of the preceding year's full cash value or on any information that is
3 available to the department.

4 2. Also assess a penalty in the amount of the lesser of:

5 (a) One-half of one per cent of the value that is estimated by the
6 department.

7 (b) One hundred dollars per day for each day the company fails to file
8 the report beyond the due date.

9 D. If the report is not filed by May 20 of the valuation year, the
10 company forfeits its right to appeal the valuation and classification
11 pursuant to section 42-14005.

12 Sec. 30. Section 42-15053, Arizona Revised Statutes, is amended to
13 read:

14 42-15053. Duty to report personal property; confidentiality

15 A. On or before February 1 of each year, the assessor shall mail a
16 form, notice or demand to each person who owns or has charge or control of
17 taxable personal property in the state. Each person shall prepare and
18 deliver to the assessor a correct report of property on or before April 1 of
19 each year, except for property that is not required to be reported as
20 provided by subsection C of this section. On written request and for good
21 cause shown, the assessor may extend for up to thirty days the time for
22 filing the report.

23 B. The duty to report taxable property pursuant to this section
24 applies regardless of whether the person or entity that owns or has charge
25 or control of the personal property also owns real property in the county
26 with a value of two hundred dollars or more.

27 C. The assessor shall not require a report of:

28 1. The breed, number, age or location of livestock on hand from
29 individuals, corporations, partnerships or any other business if the
30 livestock is exempt from taxation pursuant to article IX, section 13,
31 Constitution of Arizona.

32 2. The personal property that is class four TWO (P) property used for
33 agricultural purposes or that is class three ONE, SUBCLASSES 8 THROUGH 11 AND
34 13 property used in a trade or business that is exempt from taxation pursuant
35 to article IX, section 2, subsection (6), Constitution of Arizona.

36 D. Every assessment made against property subject to taxation is valid
37 whether or not the form, notice or demand was sent or received.

38 E. The department shall prescribe in detail the contents of property
39 reports including the specific wording to be used by county assessors and the
40 method of reporting property. The report shall not include any question that
41 is not germane to the valuation function.

42 F. A report that is furnished under this section:

43 1. Is not open to public inspection, but the report may be used as
44 evidence in any prosecution brought under section 42-15055.

2. May be subject to audit. On completing an audit or on discovering property that has not been reported, any property that was found to have escaped taxation is liable for the amount of taxes due determined under chapter 16, article 6 of this title, plus a penalty equal to ten per cent of that amount.

Sec. 31. Section 42-15057, Arizona Revised Statutes, is amended to read:

42-15057. Information from political subdivisions

A. Each city, town, county or other governmental entity that requires that a building permit be issued to construct or add to residential or commercial buildings shall notify the county assessor in writing:

1. Of the parcel number for which the permit is issued at the time the permit is issued.

2. That the improvements are approved for their intended use at the time the building department makes the final inspection of the improvement.

~~B. Within thirty days after receiving building permits from the issuing agency, the county assessor shall transmit a copy of the permit to the department, together with any information that the department may require. If the assessor maintains electronic files containing building permit data, the assessor shall transmit a copy of the electronic file to the department in a format that is compatible with the system used by the department.~~

Sec. 32. Repeal

Section 42-15064, Arizona Revised Statutes, is repealed.

Sec. 33. Section 42-19004, Arizona Revised Statutes, is amended to read:

42-19004. Property in transit and transient property

A. Personal property that is in transit through a county shall be assessed in the county where the owner is domiciled, ~~except for transient livestock that is assessed pursuant to section 42-15064.~~

B. Transient property that is used in business or commerce in this state shall be assessed in the county where it is found.

Sec. 34. Section 42-19151, Arizona Revised Statutes, is amended to read:

42-19151. Definition of mobile home

In this article, unless the context otherwise requires, "mobile home" means a structure that is transportable in one or more sections including the plumbing, heating, air conditioning and electrical systems that are contained in the structure and that, when erected on site, is either of the following:

1. More than eight body feet in BODY width, thirty-two body feet or more in BODY length and built on a permanent chassis.

2. Regardless of the size, used as a single family dwelling or for commercial purposes with or without a permanent foundation.

1 Sec. 35. Section 43-323, Arizona Revised Statutes, is amended to read:
2 43-323. Place and form of filing returns

3 A. All returns required by this title shall be in such form as the
4 department may from time to time prescribe and shall be filed with the
5 department.

6 B. The department shall prescribe a short form return for individual
7 taxpayers who:

8 1. Are eligible and elect to pay tax based on the optional tax tables
9 pursuant to section 43-1012.

10 ~~2. Have dividend and interest income not in excess of four hundred~~
11 ~~dollars from either of those sources.~~

12 2. ELECT TO CLAIM THE OPTIONAL STANDARD DEDUCTION PURSUANT TO SECTION
13 43-1041.

14 3. Elect not to file for credits against income tax liability other
15 than those contained in section 16-954, subsection B and sections 43-1072,
16 43-1072.01 and 43-1073.

17 4. Are not required to add any income under section 43-1021 and do not
18 elect any subtractions under section 43-1022, except for the exemptions
19 allowed under section 43-1023.

20 C. The department may provide a simplified return form for individual
21 taxpayers who:

22 1. Are eligible and elect to pay tax based on the optional tax tables
23 pursuant to section 43-1012.

24 2. Are residents for the full taxable year.

25 3. File as single individuals or married couples filing joint returns
26 under section 43-309.

27 4. Are not sixty-five years of age or older or blind AT THE END OF THE
28 TAXABLE YEAR.

29 5. Claim no dependents EXEMPTIONS UNDER SECTION 43-1023 for the
30 taxable year.

31 6. Elect to claim the optional standard deduction under section
32 43-1041.

33 7. Are not required to add any income under section 43-1021 and do not
34 elect to claim any subtractions under section 43-1022 or file for any credits
35 under chapter 10, article 5 of this title except the credits provided by
36 sections ~~43-1072~~, 43-1072.01 and 43-1073.

37 8. Do not elect to contribute a portion of any tax refund as provided
38 by any provision of chapter 6, article 1 of this title. Notwithstanding any
39 provision of chapter 6, article 1 of this title, a simplified return form
40 under this subsection shall not include any space for the taxpayer to so
41 contribute a portion of a refund.

42 D. The department shall prepare blank forms for the returns and shall
43 distribute them throughout the state and furnish them upon application.
44 Failure to receive or secure the form does not relieve any taxpayer from
45 making any return required.

1 Sec. 36. Section 43-581, Arizona Revised Statutes, is amended to read:

2 43-581. Payment of estimated tax; penalty; forms

3 A. An individual who is subject to the tax imposed by this title and
4 whose Arizona gross income, as defined by section 43-1001, or as described
5 by section 43-1091 in the case of nonresidents, for the taxable year exceeds
6 seventy-five thousand dollars or one hundred fifty thousand dollars if a
7 joint return is filed and whose Arizona gross income was greater than
8 seventy-five thousand dollars in the preceding taxable year or one hundred
9 fifty thousand dollars in the preceding taxable year if a joint return is
10 filed, shall make payments of estimated tax during the individual's tax year.
11 The amount of the payments of estimated tax shall be an amount which
12 reasonably reflects a taxpayer's Arizona income tax liability which will be
13 unpaid at the end of the taxpayer's tax year. This amount shall be paid in
14 four installments on or before the due dates established by the internal
15 revenue code and shall total, when combined with the taxpayer's withholding
16 tax, at least ninety per cent of the tax due for the current taxable year or
17 one hundred per cent of the tax due for the preceding taxable year.

18 B. Any other individual who is subject to the tax imposed by this
19 title may make payments of estimated tax during such individual's tax year.
20 The amount of any payment of estimated tax shall be either:

21 1. If payments of estimated tax are made pursuant to the internal
22 revenue code, ten, fifteen or twenty per cent of the amount paid to the
23 internal revenue service as estimated tax computed pursuant to the internal
24 revenue code and the income tax act of 1954, as amended, to be paid on or
25 before the due dates established by the internal revenue code.

26 2. If no federal estimated tax payments are required to be made, an
27 amount which reasonably reflects a taxpayer's Arizona income tax liability
28 which will be unpaid at the end of such taxpayer's tax year.

29 C. The department shall prescribe rules for the payments of estimated
30 tax which shall provide for estimated payments in a manner similar to the
31 manner prescribed in the internal revenue code.

32 D. If the taxpayer does not pay the estimated tax required by
33 subsection A of this section on or before the prescribed dates, there is
34 assessed and the department shall collect a penalty upon the unpaid amount
35 as prescribed by section 42-1125, subsection P. No penalties or interest
36 shall be assessed or collected if either of the following applies:

37 1. The estimated tax payments made pursuant to this section are
38 allowable exceptions under the provisions of section 6654 of the internal
39 revenue code.

40 2. The taxpayer's Arizona income tax liability due on the taxpayer's
41 return is less than one thousand dollars. FOR THE PURPOSES OF THIS
42 PARAGRAPH, "ARIZONA INCOME TAX LIABILITY DUE ON THE TAXPAYER'S RETURN" MEANS
43 THE AMOUNT OF TAX DUE ON THE RETURN MINUS THE AMOUNT OF ARIZONA INCOME TAX
44 WITHHELD AND TAX CREDITS CLAIMED BY THE TAXPAYER.

1 E. The department shall make available suitable forms and instructions
2 to taxpayers who make estimated tax payments pursuant to this article.

3 Sec. 37. Section 43-1087, Arizona Revised Statutes, is amended to
4 read:

5 43-1087. Credit for employment of temporary assistance for
6 needy families recipients

7 A. A credit is allowed against the taxes imposed by this title for net
8 increases in qualified employment by the taxpayer of recipients of temporary
9 assistance for needy families as defined in section 46-101 who are residents
10 of this state. The amount of the credit is equal to the sum of the
11 following:

12 1. One-fourth of the taxable wages paid to an EACH employee in a
13 qualified employment position POSITIONS, not to exceed five hundred dollars
14 PER QUALIFIED EMPLOYMENT POSITION, in the first year or partial year of
15 employment. Wages that were subsidized as provided by section 46-299 shall
16 not be included.

17 2. One-third of the taxable wages paid to an EACH employee in a
18 qualified employment position POSITIONS, not to exceed one thousand dollars
19 per qualified employment position, in the second year of continuous
20 employment. Wages that were subsidized as provided by section 46-299 shall
21 not be included.

22 3. One-half of the taxable wages paid to an EACH employee in a
23 qualified employment position POSITIONS, not to exceed one thousand five
24 hundred dollars per qualified employment position, in the third year of
25 continuous employment. Wages that were subsidized as provided by section
26 46-299 shall not be included.

27 B. The credit allowed in this section is in lieu of any wage expense
28 deduction taken for state tax purposes.

29 C. To qualify for a credit under this section:

30 1. All of the employees with respect to whom a credit is claimed must
31 reside in this state and must be recipients of temporary assistance for needy
32 families as defined in section 46-101 at the time the employee is hired.

33 2. A qualified employment position must meet all of the following
34 requirements:

35 (a) The position must be classified as full-time employment.

36 (b) The employment must include health insurance coverage for the
37 employee if the employer offers this coverage for employees who are not
38 recipients of temporary assistance for needy families.

39 (c) The employer must pay compensation at least equal to the minimum
40 wage or a wage comparable to that paid to employees who are not receiving
41 temporary aid ASSISTANCE for needy families based on the employee's training,
42 skills and job classification.

43 (d) The employee must have been employed for at least ninety days
44 during the first taxable year. An employee who is hired during the last
45 ninety days of the taxable year shall be considered a new employee during the

1 next taxable year. Periods for which the employee's wages were subsidized
2 as provided by section 46-299 shall not be included as periods of employment.

3 (e) The employee was not employed by the taxpayer within twelve months
4 before the current date of hire.

5 (f) The employee position is not eligible for any other employment
6 credit pursuant to this title based on wages paid.

7 D. The net increase in the number of qualified employment positions
8 shall be determined by comparing the average number of qualified employment
9 positions during the taxable year with the immediately preceding taxable year
10 based on the taxpayer's report to the department of economic security for
11 unemployment purposes.

12 E. If the allowable tax credit exceeds the income taxes otherwise due
13 on the claimant's income, the amount of the claim not used as an offset
14 against income taxes may be carried forward as a tax credit against
15 subsequent years' income tax liability for the period, not to exceed five
16 consecutive taxable years.

17 F. Co-owners of a business, including partners in a partnership and
18 shareholders of an S corporation as defined in section 1361 of the internal
19 revenue code, may claim only the pro rata share of the credit allowed under
20 this section based on the ownership interest. The total of the credits
21 allowed all the owners of the business may not exceed the amount that would
22 have been allowed for a sole owner of the business.

23 G. The department may adopt rules necessary for the administration of
24 this section.

25 Sec. 38. Section 43-1139, Arizona Revised Statutes, as amended by Laws
26 1999, chapter 190, section 1, is amended to read:

27 43-1139. Allocation of business income

28 A. Except as provided in subsection B OF THIS SECTION, all business
29 income shall be apportioned to this state by multiplying the income by a
30 fraction, the numerator of which is the property factor plus the payroll
31 factor plus two times the sales factor, and the denominator of which is four.

32 B. All business income of a taxpayer engaged in air commerce shall be
33 apportioned to this state by multiplying the income by a fraction, the
34 numerator of which is the revenue aircraft miles flown within this state for
35 flights beginning or ending in this state and the denominator of which is the
36 total revenue aircraft miles flown by the taxpayer's aircraft everywhere.
37 This subsection also applies to each member of TAXPAYER, INCLUDING a combined
38 GROUP FILING A COMBINED RETURN or AN affiliated group ELECTING TO FILE A
39 CONSOLIDATED RETURN UNDER SECTION 43-947, if fifty per cent or more of that
40 group's TAXPAYER'S gross income is derived from air commerce. For purposes
41 of this subsection:

42 1. "Air commerce" means transporting persons or property for hire by
43 aircraft in interstate, intrastate or international transportation.

44 2. "Revenue aircraft miles flown" has the same meaning prescribed by
45 the United States department of transportation uniform system of accounts and

1 reports for ~~and applies to~~ large certificated air carriers (14 Code of
2 Federal Regulations part 241).

3 Sec. 39. Repeal

4 Section 43-1139, Arizona Revised Statutes, as amended by Laws 2000,
5 chapter 63, section 11, is repealed.

6 Sec. 40. Section 43-1175, Arizona Revised Statutes, is amended to
7 read:

8 43-1175. Credit for employment of temporary assistance for
9 needy families recipients

10 A. A credit is allowed against the taxes imposed by this title for net
11 increases in qualified employment for BY THE TAXPAYER OF recipients of the
12 temporary assistance for needy families as defined in section 46-101 who are
13 residents of this state. The amount of the credit is equal to the sum of the
14 following:

15 1. One-fourth of the taxable wages paid to an EACH employee in a
16 qualified employment position POSITIONS, not to exceed five hundred dollars
17 PER QUALIFIED EMPLOYMENT POSITION, in the first year or partial year of
18 employment. Wages that were subsidized as provided by section 46-299 shall
19 not be included.

20 2. One-third of the taxable wages paid to an EACH employee in a
21 qualified employment position POSITIONS, not to exceed one thousand dollars
22 per qualified employment position, in the second year of continuous
23 employment. Wages that were subsidized as provided by section 46-299 shall
24 not be included.

25 3. One-half of the taxable wages paid to an EACH employee in a
26 qualified employment position POSITIONS, not to exceed one thousand five
27 hundred dollars per qualified employment position, in the third year of
28 continuous employment. Wages that were subsidized as provided by section
29 46-299 shall not be included.

30 B. The credit allowed in this section is in lieu of any wage expense
31 deduction taken for state tax purposes.

32 C. To qualify for a credit under this section:

33 1. All of the employees with respect to whom a credit is claimed must
34 reside in this state and must be recipients of temporary assistance for needy
35 families as defined in section 46-101 at the time the employee is hired.

36 2. A qualified employment position must meet all of the following
37 requirements:

38 (a) The position must be classified as full-time employment.

39 (b) The employment must include health insurance coverage for the
40 employee if the employer offers this coverage for employees who are not
41 recipients of temporary assistance for needy families.

42 (c) The employer must pay compensation at least equal to the minimum
43 wage or a wage comparable to that paid to employees who are not receiving
44 temporary aid ASSISTANCE for needy families based on the employee's training,
45 skills and job classification.

1 (d) The employee must have been employed for at least ninety days
2 during the first taxable year. An employee who is hired during the last
3 ninety days of the taxable year shall be considered a new employee during the
4 next taxable year. Periods for which the employee's wages were subsidized
5 as provided by section 46-299 shall not be included as periods of employment.

6 (e) The employee was not employed by the taxpayer within twelve months
7 before the current date of hire.

8 (f) The employee shall POSITION IS not be eligible for any other
9 employment credit pursuant to this title based on wages paid.

10 D. The net increase in the number of qualified employment positions
11 shall be determined by comparing the average number of qualified employment
12 positions during the taxable year with the immediately preceding taxable year
13 based on the taxpayer's report to the department of economic security for
14 unemployment purposes.

15 E. If the allowable tax credit exceeds the income taxes otherwise due
16 on the claimant's income, the amount of the claim not used as an offset
17 against income taxes may be carried forward as a tax credit against
18 subsequent years' income tax liability for the period, not to exceed five
19 consecutive taxable years.

20 F. Co-owners of a business, including corporate partners in a
21 partnership, may claim only the pro rata share of the credit allowed under
22 this section based on the ownership interest. The total of the credits
23 allowed all of the owners of the business may not exceed the amount that
24 would have been allowed for a sole owner of the business.

25 G. The department may adopt rules necessary for the administration of
26 this section.

27 Sec. 41. Section 44-315, Arizona Revised Statutes, is amended to read:

28 44-315. Confidentiality; violation; classification; definitions

29 A. The department may disclose confidential information relating to
30 an item of property to the claimant, a successor in interest to the claimant
31 or a designee of the claimant who is authorized in writing by the claimant.

32 B. The department also may disclose confidential information to:

33 1. Any employee of the department whose official duties involve TAX
34 OR unclaimed property ADMINISTRATION.

35 2. The office of the attorney general for its use in providing counsel
36 relating to unclaimed property administration or in preparation for any
37 proceeding involving unclaimed property before the department or any other
38 agency or board of this state or before any grand jury or any state or
39 federal court.

40 3. Pursuant to a written agreement between the department and another
41 state OR AN ORGANIZATION OF STATES THAT OPERATES AN INFORMATION EXCHANGE FOR
42 UNCLAIMED PROPERTY ADMINISTRATION PURPOSES, a state unclaimed property
43 official from the other state if the other state OR ORGANIZATION grants
44 substantially similar privileges to the department for the same type of
45 information.

1 4. The auditor general, in connection with any audit of the department
2 SUBJECT TO THE RESTRICTIONS IN SECTION 42-2002, SUBSECTION C.

3 5. Any person to the extent necessary for effective unclaimed property
4 administration in connection with the processing, storage, transmission and
5 reproduction of the information and the programming, maintenance, repair,
6 testing and procurement of equipment for purposes of unclaimed property
7 administration.

8 C. EXCEPT AS PROVIDED IN SECTION 42-2002, SUBSECTION C, the department
9 may disclose confidential information in any state or federal judicial or
10 administrative proceeding relating to unclaimed property administration if:

11 1. The claimant is a party to the proceeding.

12 2. The treatment of an item reflected in the information is directly
13 related to the resolution of an issue in the proceeding.

14 3. The information directly relates to a transactional relationship
15 between a person who is a party to the proceeding and the claimant and the
16 information directly affects the resolution of an issue in the proceeding.

17 D. The department may disclose identity information for purposes of
18 notifying persons who appear to be entitled to unclaimed property in the
19 manner described in section 44-309.

20 E. The department may disclose statistical information gathered from
21 confidential information if it does not disclose confidential information
22 attributable to a claimant.

23 F. A court may order the department to disclose confidential
24 information pertaining to a party to an action. An order shall be made only
25 on a showing of good cause and that the party who seeks the information has
26 demanded the information from the claimant.

27 G. If the department is required or permitted to disclose confidential
28 information, it may charge the person or agency that requests the information
29 for the reasonable cost of the department's services.

30 H. A disclosure of confidential information in violation of this
31 section is a class 1 misdemeanor. A knowing disclosure of confidential
32 information IN VIOLATION OF THIS SECTION is a class 6 felony.

33 I. For the purposes of this section:

34 1. "Claimant" means a person or entity that claims to have a property
35 interest in the item of property that is presumed abandoned PURSUANT TO THIS
36 CHAPTER.

37 2. "Confidential information" includes reports filed by holders of
38 property presumed abandoned under this chapter, a claimant's application and
39 documents submitted to support a claim and information discovered by the
40 department concerning claims and claimants.

1 Sec. 42. Title 44, chapter 3, article 1, Arizona Revised Statutes, is
2 amended by adding section 44-339, to read:

3 44-339. Signatures for documents; alternative methods;
4 definition

5 THE DEPARTMENT MAY PRESCRIBE BY ADMINISTRATIVE RULE ALTERNATIVE METHODS
6 FOR SIGNING, SUBSCRIBING OR VERIFYING ANY REPORT OR CLAIM REQUIRED OR
7 PERMITTED TO BE FILED WITH THE DEPARTMENT PURSUANT TO THIS ARTICLE THAT HAVE
8 THE SAME VALIDITY AND CONSEQUENCE AS THE ACTUAL SIGNATURE OR WRITTEN
9 DECLARATION OF THE TAXPAYER OR OTHER PERSON REQUIRED TO SIGN, SUBSCRIBE OR
10 VERIFY THE REPORT OR CLAIM. WHILE THE DEPARTMENT IS ADOPTING A RULE
11 PRESCRIBING ALTERNATIVE METHODS FOR SIGNING, SUBSCRIBING OR VERIFYING ANY
12 REPORT OR CLAIM REQUIRED TO BE FILED WITH THE DEPARTMENT PURSUANT TO THIS
13 ARTICLE, THE DIRECTOR, BY TAX RULING, MAY WAIVE THE REQUIREMENT OF A
14 SIGNATURE FOR A PARTICULAR TYPE OR CLASS OF ANY REPORT OR CLAIM REQUIRED OR
15 PERMITTED TO BE FILED WITH THE DEPARTMENT PURSUANT TO THIS ARTICLE. FOR THE
16 PURPOSES OF THIS SECTION, "TAX RULING" HAS THE SAME MEANING PRESCRIBED IN
17 SECTION 42-2052.

18 Sec. 43. Laws 2001, chapter 314, section 4 is amended to read:

19 Sec. 4. Retroactivity; limitation on refunds; nonseverability

20 A. Section 42-5061, subsection A, paragraph 54, section 42-5073,
21 subsection A, paragraph 9 and section 42-5159, subsection A, paragraph 48,
22 Arizona Revised Statutes, as amended by ~~this act~~ LAWS 2001, CHAPTER 314,
23 apply retroactively to taxable periods beginning from and after December 31,
24 1982.

25 B. Any claim for refund of transaction privilege or use tax based on
26 the retroactive application of section 42-5061, subsection A, paragraph 54,
27 section 42-5073, subsection A, paragraph 9 and section 42-5159, subsection
28 A, paragraph 48, Arizona Revised Statutes, as amended by ~~this act~~ LAWS 2001,
29 CHAPTER 314, shall be submitted to the department of revenue on or before
30 December 31, 2001, pursuant to section 42-1118, Arizona Revised Statutes. A
31 failure to file a claim on or before December 31, 2001, constitutes a waiver
32 of the claim for refund under this section.

33 C. The burden is on the taxpayer to establish by competent evidence
34 the amount of tax paid for all taxable periods, if any, attributable to the
35 ~~sale or purchase of tangible personal property~~ TRANSACTIONS that qualifies
36 QUALIFY for the deduction under section 42-5061, subsection A, paragraph 54,
37 section 42-5073, subsection A, paragraph 9 and section 42-5159, subsection
38 A, paragraph 48, Arizona Revised Statutes, as amended by ~~this act~~ LAWS 2001,
39 CHAPTER 314. The department of revenue shall:

- 40 1. Review all timely filed claims.
- 41 2. Determine, on audit if necessary, the correct amount of each claim.
- 42 3. Notify the taxpayer of its determination. The notice is final
43 unless a taxpayer appeals in the manner provided in section 42-1119, Arizona
44 Revised Statutes.

1 D. Notwithstanding section 42-1119, Arizona Revised Statutes, the
2 department of revenue shall not make a refund until after a final
3 determination has been made as to the amount of all refund claims filed
4 pursuant to this section. If a taxpayer appeals the department's
5 determination, the department, in compliance with the rules protecting
6 confidentiality under sections 42-2001 through 42-2004, Arizona Revised
7 Statutes, may notify other taxpayers who have filed claims as to the nature
8 of any delay, and if possible, to estimate the probable extent of the delay.

9 E. The aggregate amount of tax refund under this section shall not
10 exceed ten thousand dollars. If the aggregate amount of claims under this
11 section that are ultimately determined to be correct exceeds ten thousand
12 dollars, the department shall reduce each claim proportionately so that the
13 total refund amount equals ten thousand dollars.

14 F. Interest shall not be computed or allowed on any refundable amount
15 if paid before July 1, 2002, but if the amount cannot be determined or paid
16 until after June 30, 2002, interest accrues thereafter under section 42-1123,
17 Arizona Revised Statutes.

18 G. If any part of this section is finally adjudicated to be invalid,
19 this entire section is void. The provisions of this section are intended to
20 be nonseverable.

APPROVED BY THE GOVERNOR MAY 29, 2002.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 4, 2002.

HOUSE FINAL PASSAGE
as per Joint Conference

Passed the House May 22, 2002,

by the following vote: 55 Ayes,

1 Nays, 4 Not Voting

John Elks
Speaker of the House
Pro Tempore

Norman L. Moore
Chief Clerk of the House

SENATE FINAL PASSAGE
as per Joint Conference

Passed the Senate May 22, 2002

by the following vote: 27 Ayes,

0 Nays, 3 Not Voting

Randall Smith
President of the Senate

Charmine Billington
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor

this 23 day of May, 2002

at 10:55 o'clock A M.

Sandra Gamby
Secretary to the Governor

Approved this 29 day of

May, 2002,

at 11:26 o'clock 4 M.

Janice Lee Grier
Governor of Arizona

S.B. 1139

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 4 day of June, 2002,

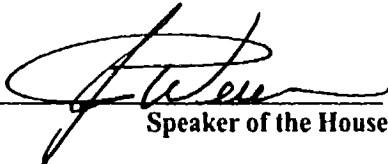
at 5:31 o'clock P M.


Ruthie Bayless
Secretary of State

Passed the House May 6, 20 02,

by the following vote: 57 Ayes,

0 Nays, 3 Not Voting


Speaker of the House

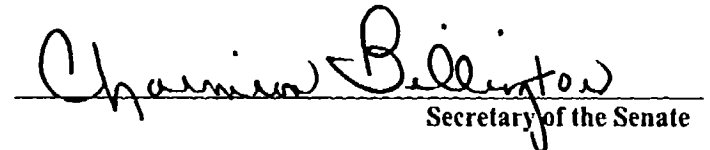

Chief Clerk of the House

Passed the Senate February 13, 20 02,

by the following vote: 30 Ayes,

0 Nays, 0 Not Voting


President of the Senate


Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

~~_____ day of _____, 20____,~~

~~at _____ o'clock _____ M.~~

~~_____
Secretary to the Governor~~

~~Approved this _____ day of~~

~~_____, 20____,~~

~~at _____ o'clock _____ M.~~

~~_____
Governor of Arizona~~

S.B. 1139

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

~~This Bill was received by the Secretary of State
this _____ day of _____, 20____,~~

~~at _____ o'clock _____ M.~~

~~_____
Secretary of State~~